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Joe Hair, PhD

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Content

Non-Parametric Causality Tests <i>Gallusz Abaligeti</i>	11
Sharing as a New Way of Consumption <i>Feyza Ağlargöz</i>	13
Cliché-based Analysis of Organizations <i>Ozan Ağlargöz</i>	15
Competing Cultural Values: The Impact of Wasta on Leadership in Saudi Utility Organizations <i>Khalid A. Alogaili</i>	17
Shining a Light on the Dark Side: How the Global Financial Crisis Exposed the Dark Side of Leadership <i>Holly Andrews</i>	21
Do Learning Orientation and Training Practices Improve Organizational Effectiveness?: Evidence from Malaysian SMEs <i>Nuraishani Baharom, Mohamad Yazam Sharif, Abdul Rahman Jaaffar</i>	24
Ethnographic Research and Marketing: Challenges in Implementing This Tool in Understanding the Emerging Consumer - A Practical Approach <i>Fábio Mariano Borges, Cristina Mello</i>	38
Netactivism against Brands: Consumer Behavior and Political Consumerism on Social Networks <i>Fábio Mariano Borges, Cristina Mello</i>	42
Local Governance and the Political Sociology of Ethical Marketplaces in Great Britain <i>Tony Bradley, Curtis Ziniel</i>	51
The Evolutionary Processes in the Introduction of the New Organizational Forms <i>Branko Bučar</i>	53
An Integrated Model for Measuring Country Image: Personality, Cognition, Emotion and Their Influence on Behavioral Intentions <i>Carlos Manuel Súcia Búrcio, Rui Manuel Vinhas Da Silva, Maria de Fátima Salgueiro</i>	64
Modeling the Longitudinal Effects of Social Responsibility on Earning Outcomes using Autoregressive Latent Trajectory (ALT) Models <i>Scott R. Colwell, Michael Wood, Bradley Bain</i>	65
Celebrities Endorsement and the Purchase Intention of Brands Associated with Labor Exploitation <i>Rafaela Almeida Cordeiro, Mariana Hammel Brandão, Vivian Iara Strehlau</i>	66
The Impact of Mergers and Acquisitions on Innovation <i>Vusal Eminli</i>	67

High-Growth versus Declining Firms: The Differential Impact of Human Capital and R&D <i>Micheline Goedhuys, Leo Sleuwaegen</i>	68
Corporate Governance in Turbulent Times <i>Marlena Grabowska, Iwona Otola</i>	69
Corporate Espionage: Focusing On the Human Element <i>Ulrike Hugel</i>	80
Trajectory of Malaysian SME Performance in Filtering Domestic Economic Turmoil and Improving Financial Resilience through Network Interaction: A PLS Path Modelling <i>Abdul Rahman Jaaffar, Mohmad Yazam Sharif, Nuraishani Baharom</i>	83
A Cross National Analysis of M-Shoppers' Loyalty and Attitude toward M-Advertising <i>Nadia Jiménez, San-Martín Sonia</i>	96
International Entrepreneurs' Proclivity, Domestic Market Competition, Organizational Capabilities and Performance of SMEs: Moderating Effect of Product Category <i>ByoungHo Jin, Hyeon Jeong Cho</i>	97
Post-Entry Internationalization Patterns and Performance of Born Globals <i>ByoungHo Jin, Hongjoo Woo, Jae-Eun Chung</i>	101
Information Privacy Discriminators of Facebook Intensity <i>Yolanda Jordaan, Gene van Heerden, Michelle van der Merwe</i>	105
An Important Role of Financial Management in NGO sector <i>Valentyina Kolodiichuk</i>	108
Investigating Television News Service Quality Dimensions: A Factor Analysis Approach <i>Jelena Komšić, Iva Valčić</i>	109
Self-Verification Is Priceless: Identity as Drive in Consumption When Spending Power Is Limited <i>Liezl-Marié Kruger</i>	120
Changing Paradigm in the Energy Industry by Developing New Socially Responsible Business Model <i>Jevgenijs Kurovs</i>	123
Disaster Risks And Incentives For Investing In Business Continuity Plans: The Case of Small and Medium-sized Enterprises in Global Supply Chains <i>Minquan Liu, Khan Kikkawa, Shanawez Hossain</i>	125
Inequality, Growth, and Social Sector Policies: Theory and Implications for PRC <i>Minquan Liu</i>	126
Ethnic Entrepreneurship in a Socially Segregated Community: Norrby, Boras, Sweden <i>Erik Ljungar</i>	127
Analysis of the Effect of Festival Quality on Visitors' Satisfaction and Behavioral Intentions of the Local Food Festival <i>Suzana Marković, Jelena Dorčić, Maria Pudić</i>	136

Corporate Allergy. Signs and Treatment <i>Emil Martirosyan, Teimuraz Vashakmadze, Anastasia Sergeeva</i>	147
The Evolution of Open Innovation and Network Strategy among Japan's Manufacturing SMEs: the Era of Open Innovation 3.0 <i>Takuya Miyamoto</i>	153
Determinants of Abnormal Returns after R&D Announcements of Pharmaceutical Companies <i>Iuliia N. Naidenova</i>	160
Deflation in a Monetary Union: Curse or Blessing? <i>Reinhard Neck, Dmitri Blueschke</i>	163
The Pattern of Levels of FDI in Hungary's Regions before and after the Recent Economic Crisis <i>Florin Nitu</i>	165
User-Generated Brands versus Corporate-Generated Brands: The Impact on Brand Perception and Consumer Behavior <i>Manuela Oberhofer, Johann Füller, Thomas Kohler, Severin Dennhardt</i>	172
Competitive Strategies of IT Companies in Times of Crisis <i>Iwona Otolá, Marlena Grabowska, Agnieszka Tylec</i>	173
Analytical View on the Issue of the Effective Use of Selected E-Marketing Communication Tools on Facebook by Small and Medium Sized Enterprises Operating In the Central European Market <i>František Pollák, Peter Dorčák</i>	182
Managing the Retailer SME Supplier Relationship Post Financial Crisis <i>Andrea Reid, Audrey Gilmore, Karise Hutchinson, Lisa Donnell, Sandra Moffett</i>	189
Learning from Our Mistakes: Some Implications of the 2008 Financial Crisis for the Healthy Relationship between the Real and Financial Economies <i>Jalil Safaei</i>	199
Retention of Fresh Graduates: Identification of Determinant Factors through a Modified Job Characteristics Model <i>Carole Serhan, Haritini Tsangari</i>	200
An Analysis of Pilot Testing in PhD Research: A Case of My Two Scholars in Small and Medium Enterprises (SMEs) in Malaysia <i>Mohmad Yazam Sharif</i>	203
Crisis Preparedness: The Role of Leaders' Locus-of-Control, Gender, Impulsive Sensation-Seeking and Transformational Leadership <i>Zachary Sheaffer, Yael Brender-Ilan</i>	208
The problems of identification and assessment of project risks: an integrated approach <i>Yulia Slepukhina</i>	211
Does the Newborn Business Do Matters to the Industrial Growth? <i>Nikolay Sterev, Diana Kopeva, Dimitar Blagoev</i>	213

Small and Medium-Sized Enterprises' Internationalization: Motivators of First and Successive International Market Entry Mode Choice and Degree of Commitment <i>Vassilios Stouraitis, Markos Kyritsis</i>	215
Brazilian Country of Origin Image Appropriation by European Brand <i>Mariana Bassi Sutter, Maria Adriana de A. P. Camargo, Vivian Iara Strehlau, Edson Crescitelli</i>	227
Analytical Approach to Issues Reputation Management, Its Selected Assessment and Measurement Tools <i>Nella Svetozarovová, Tatiana Polláková</i>	228
Self-Assessment as Tool for Continuous Improvement, Application of EFQM Model in Chassis Brakes Poland <i>Karol Szewczyk</i>	235
Analysis of Business Cycles in Post-Communist Countries <i>Karol Szomolányi, Martin Lukáčik, Adriana Lukáčiková</i>	238
Sub-Conscious Responses to Fear Appeal Health Warnings: An Exploratory Study and Suggestions for Future Research <i>Lucea Toerien, Christo Boshoff</i>	248
Customer Engagement Myopia or Is It More Appropriate To State the Myopia of Customer Engagement? <i>Gené van Heerden</i>	250
Learning in Corporate Development Activities: From Alliance Experience to Acquisition Performance <i>Rimi Zakaria</i>	253

Non-Parametric Causality Tests

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Abstract

In the second half of the 20th century the economic models turned to the stochastic time series and this fact lead to several new concepts. Among other things the need of defining the causal relation between stochastic processes and time series appeared. Wiener (1956) started dealing with the problem but the breakthrough came with the seminal paper of Granger (1969).

The original concept of Granger spread fast in the econometrical research. The reason of the popularity is that the definition is easy to test, understand and it does not need much calculation capacity. Therefore, practically this is the single causality test which is implemented in standard econometrical softwares. However Granger made the assumption of linearity but in the last decades a need has arisen to handle causality between non-linear processes.

In this paper we present non-parametric alternatives of the classical Granger-causality. The methods apply two major approaches, the first based on the concept of the correlation integral. We describe the methods of Hiemsta and Jones (1994) and Diks and Panchenko (2006). These tests rely on the idea of Baek and Brock (1992) namely that the relation between conditional density functions can be checked through the correlation integrals of the conditional distributions. The second approach handles the problem of non-linearity using copulas. The main idea is that the conditional density functions can be replaced by conditional copula densities (Taamutia et al., 2014), therefore it is enough to test the relation of those copulas. In case of the copula based methods we also introduce a copula based methods we are introducing a new method for the non-parametric causality testing, which relies on an independence test (Genest & Rémillard, 2004).

After describing the methods we compare the causality tests through simulating different non-linear data generating processes. Our results confirm the importance of these non-parametric tests, and show the boundaries of the classical Granger causality test in the case of non-linear processes. The paper concludes a well-known empirical problem in finance: the relation between return and trading volume of stocks (Karpoff, 1987). We show how to apply the tests on empirical problems and what can be concluded from the results.

Keywords

Non-parametric causality, granger causality, strong causality

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Sharing as a New Way of Consumption

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Extended Abstract

This study mainly aims to identify current situation and development potential of collaborative consumption in Sweden. Recently sharing, instead of buying, has been viewed as a rising trend. In relation to this rising trend, collaborative consumption regarded as an alternative economic model which offers collective usage of goods freely from ownership. Sweden is one of the developed western countries where many companies that adopt collaborative consumption model. Many post graduate studies has been conducted in this area within Swedish higher education institutions. In addition to collaborative consumption enterprises, it is found that that Swedish international brands has supported collaborative consumption trends by realizing the wants and needs of consumers. Another interesting feature of Sweden that indicates awareness to collaborative consumption is that the first ridesharing day celebrated in 2008 in the small town of Örebro, Sweden. Now this initiative has spread across the whole world and eventually 4th of October became International Ridesharing Day (Quishare.net, 2014).

Within the framework of the main purpose, sub-objectives tried to be achieved by the current study are as follows:

1. To determine the current situation of collaborative consumption in Sweden.
 - 1.1. To determine the level of awareness and knowledge on collaborative consumption.
 - 1.2. To determine attitudes towards collaborative consumption.
2. To identify the future potential of collaborative consumption in Sweden.
 - 2.1. To identify factors that can affect consumers' adoption of collaborative consumption.
 - 2.2. To identify the intentions of consumers' adoption of collaborative consumption.
 - 2.3. To identify which business models and products/services consumers will adopt.

Population of the study is composed of business students studying in Lund University, School of Economics and Management, Sweden. Reasons behind choosing business students are twofold. During the data collection phase of the study, author was working as a guest researcher in Sweden which caused easy access to the sample. And moreover studies with wider scope revealed that Generation Y people are more apt to sharing (Prosumer Report, 2014; Nielsen, 2014). Considering today's business students as the future's business model initiators, it is important to evaluate their attitudes, intentions and adoption levels of collaborative consumption. In this study, convenience sampling is used. In order to reach the study goals stated above, a research based on quantitative data collection is designed and applied. Data were gathered via online/offline questionnaires between 18th of May and 15th of June 2015.

Results of the study will reveal preliminary findings including current situation and development potential of collaborative consumption in Sweden. Study will also reveal clues about the diffusion pattern of collaborative consumption. Results generated through study can be useful not only for

collaborative consumption entrepreneurs but also traditional companies which views sharing economy as a growing up opportunity.

Keywords

Collaborative consumption, sharing, sharing economy, sustainable consumption

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Cliché-based Analysis of Organizations

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Extended Abstract

The purpose of this paper is to remark the importance of cliché in organizational analysis. Paper takes its roots from the linguistic turn in social sciences and its reflections in organizational analysis (Alvesson & Kärreman, 2000). It is argued that unearthing clichés within organizational manuscript, scholars can provide thicker descriptions of the cases and moreover institutionalized silence of scholars within organization theory during 2007 – 2009 financial crises (Munir, 2011) can be reasoned and critiqued.

Foundations of the linguistic turn in social sciences were generally adhered to Richard Rorty. For Rorty “[T]ruth cannot be out there – cannot exist independently of the human mind – because sentences cannot so exist, or be out there. The world is out there, but descriptions of the world are not. Only descriptions of the world can be true or false. The world on its own- unaided by the describing activities of human beings – cannot (Rorty, 1989: 5).” Rorty argues that [L]anguages are made rather than found (Rorty, 1989: 7). Despite diverse backgrounds, scholars in social sciences who embraced linguistic turn in disciplines such as sociology, social psychology, communication theory and cultural anthropology underlines the same core understanding. These scholars, according to Alvesson and Kärreman (2000: 137) suggest that the proper understanding of societies, social institutions, identities, and even cultures may be viewed as discursively constructed ensembles of texts.

Within literally conventional sense several words are used to depict what cliché is and among others taken-for-granted, banal, unreflexive, hackneyed and commonplace are noteworthy. But Anderson-Gough et al. (1998) views cliché as a reflexive, ironical and conflictual aspect of organizational rhetoric and thus they cast a constitutional role to it. Cliché serves to reduce organizational tension pointing out certain common ground and certain values that are shared by all participants. Cliché relates unknown to the very well known. Hackneyed meanings provide transparency and invites easy consensus, and their familiarity relieves social friction. Cliché is the safe and routine: the usual (Czarniawska-Joerges & Joerges, 1988: 187-188).

Organizational cliché is said to be an important vehicle for enacting organizational discourse among organizational members (Anderson-Gough et al., 1998: 566). Cliché is the scientific clue (Ginzburg, 1980) that we employ to dust off organizational descriptions. In other words, by unearthing cliché we may vertically thicken (Svensson, 2014) the thick description (Geertz, 1973) in organizational analysis. However clichés are said to operate in several complex ways, in this paper we argue, in line with Anderson-Gough et al. (1998), that clichés are generally used for exercising power and conducting managerial control. And hence we speculate that clichés are strong source of performativity and act as discursive lubricant for functional stupidity management (Alvesson & Spicer, 2012). Word as source of performativity is heralded in J.L. Austin’s (1962[1982]) classic, *How to do things with words*. In this collection of lectures, he argues that some words describe things in the world. But Austin

points out that there is another set of words that actually do things. He calls these 'performatives'. Quarrying performative power of organizational cliché might illuminate the reasons behind field level silence experienced in many organizational situations.

Keywords

Cliché, linguistic turn, performativity

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Competing Cultural Values: The Impact of Wasta on Leadership in Saudi Utility Organizations

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Extended Abstract

Introduction

This paper reports part of a wider study of how aspects of national culture influence perceptions and practices of leadership in Saudi utility organizations. Leadership is a highly sought-after and valued commodity, attracting the attention of researchers, professionals, the public and would-be leaders (Northouse, 2010). In particular, globalization has increased the need to comprehend how cultural differences affect leadership styles. Previous writers have suggested that in the Middle East and Saudi Arabia in particular, organizational performance is held back by national cultural norms (Idris, 2007; Hutching & Weir, 2006). However, it is currently unclear how Saudi organisations are negotiating the balance between national cultural values and modern influences, and how the values they uphold may influence their leadership style. Accordingly, the research addresses the questions:

- How are leadership roles and practices influenced by cultural factors, e.g. social norms and traditions?
- How are such factors perceived as impacting on leadership effectiveness?

This paper focuses specifically on the impact of one of these factors, “wasta”, literally intermediation, referring to the exploitation of family and social networks to confer or derive benefit, and often interpreted as favoritism, cronyism or nepotism. The abstract contains a review of relevant literature and an explanation of the case study methodology employed to conduct the research. Brief comments are offered on the emerging theme of “wasta” based on ongoing analysis of the collected data; more detailed findings will be reported and discussed in the extended version of this paper.

Literature Review

From early childhood, individuals learn patterns of thinking, feeling and behavior derived from the social environment, which are commonly referred to as culture. Hofstede et al. (2010:5) refer to such patterns as “mental programming” or “software of the mind”. Culture is composed of attitudes (emotions and beliefs); norms (informal rules governing what is normal or abnormal in a society) and values (notions about what “ought” to be). The importance of culture for understanding thinking and behavior has been widely asserted (Hofstede, 1980, 2001; Trompenaars, 1993; Schwartz, 1992, 1994, 2006; House, et al., 2004). The Gulf states, for example, are reportedly characterized by collectivist values and practices, with a preference for personalized relationships and extensive and deep in-group influence (House, et al., 2004). Such norms are sometimes described in positive terms; Bjerke and Al-Meer (1993) note the concern for friendly relations and group solidarity, while At-Twajjri et al. (1994: 65) see a “societal tradition of mutual dependence” as conducive towards managers’ helping of subordinates. Some social habits, however, attract criticism as obstacles to organisational leadership, efficiency and progress. “Wasta”, an Arabic word meaning “the intervention of a patron in favor of a client in attempt to obtain privileges or resources from a third party” (Mohamed and Mohamad, 2011: 412) is one such.

Mohamed and Mohamad (2011) explain the entrenched culture of *wasta* in Arab states by an early history of internal instability and external threats. Where autocratic authority of political leaders and unequal distribution of wealth are the norm, social networking becomes the key to conducting transactions (Peng & Luo, 2000). Moreover, exploitation of oil created rentier economies in which the link between work and income was lost, and income became a windfall gain based on connections (Yates, 1996). *Wasta* has evolved from its origins as a way of managing social relations in a challenging environment to involve the exercise of power by those with influential occupational roles, to influence many organizational decisions based on personal relations rather than competence. (Cunningham and Sarayrah, 1993; Whiteoak, et al., 2006; Metcalfe, 2006). In a survey of 200 managers in the Levant and Arabian Gulf region (Tlaiss & Kauser, 2011), 89 per cent admitted using *wasta* in their career, although more than half claimed that they would like to see such practice curbed. Whilst many respondents acknowledged that is unfair to those without influential connections, they did not perceive it as corruption because it did not involve bribery. Moreover, they saw it as an integral and necessary part of Arab culture, deeply rooted in traditional social norms and values, and linked to trust within the network group.

A number of writers, however, have criticized reliance on *wasta* as a cause of inefficiency, poor job performance and economic decline (Cunningham and Sarayrah, 1994; Loewe, et al., 2008; Kilani & Sakijha, 2002; Makhoul and Harrison, 2004). It can create feelings of injustice and frustration among qualified individuals who do not have a patron (Makhoul & Harrison, 2004) and lead to resentment (Al Ariss, 2010). Mohamed and Mohamad (2011) in an experimental study found that people who were thought (based on hypothetical scenarios) to have used *wasta* to secure a position were viewed unfavourably in terms of qualifications and competence, as a process of “discounting” (Kelley, 1987) leads to possible internal explanations for success (the candidate’s own abilities) being ignored.

However, many of these studies make claims for Arab societies in general and do not consider Saudi Arabia explicitly, and do not consider organisational context. In this study, therefore, the impact of culture, including *wasta*, was investigated in the context of Saudi utility companies.

Methodology

An interpretive, inductive approach was adopted, on the assumption that culture is a subjective phenomenon, best understood by exploring the perceptions and experiences of social actors in the community studied. In order to investigate these in their natural context, a case study strategy was applied. A benefit of the case study is that the detailed understanding of natural settings grounded in direct experience gives the outcomes ecological validity, i.e. authenticity, trueness to life (Stake, 1978; Kemmis, 1980). A multiple holistic design (Yin, 2009) was adopted, whereby three organizations were selected, each viewed as a whole.

The three companies selected were Saudi Telecommunications Company (STC), the leading, largest, and for many years the only telecommunications company; Saudi Electricity Company (SEC) and National Water Company (NWC). They were selected because, as large public sector companies, wholly Saudi owned and employing Saudi personnel, they were thought likely to have a similar organizational culture and reflect national culture more clearly than companies having substantial foreign ownership or employing significant numbers of expatriates.

Semi-structured interviews were conducted with a purposively selected sample of managers (N = 14) and employees (N = 28) from the three organisations. Participants were required to have at least three years experience in their respective companies, to ensure that they were familiar with company practices. A template analysis technique was adopted, in which initial codes and categories were proposed on the basis of the research questions and relevant literature, and modified in the

light of emergent findings (King, 1998). This process is still ongoing. However, some preliminary indications are reported here.

Emerging Findings

In all three organisations, interviewees highlighted the practice of *wasta* (or, as they frequently referred to it in a popular local expression, "Vitamin W"). *Wasta* was said to be influential not only in recruitment, but in shaping relations between leaders and subordinates and consequently influencing decisions on such matters as promotions and training opportunities. Possession or absence of *wasta* was perceived to create an in-group and an out-group, the former having privileged access to resources, recognition and benefits at the expense of the latter. *Wasta* is deeply rooted in the culture, and it is possible, even likely, that it was accepted and used by some of the managers and employees interviewed. However, it is a very sensitive subject, and this may be why it was mentioned particularly by those employees who perceived that their inability to invoke *wasta* had led to their being overlooked, while others profited unfairly. *Wasta* was seen to be a locus of tension between the Western-style leadership and management principles officially espoused in these organisations and perceived practices rooted in traditional social and tribal values. Such co-existence of competing value systems can be seen as a reflection of Saudi Arabia's status as a society in transition.

Conclusion

As part of a wider study of the impact of national culture on Saudi utility organisations, the impact of *wasta* – a deeply – rooted Arab cultural norm originating with mediation to manage social relations, but now often associated with cronyism and nepotism – was investigated. Semi-structured interviews with managers and employees in three cases were conducted in order to elicit participants' perceptions and experiences. Emerging findings show that *wasta* continues to exist, despite the official adoption of "modern", Western organisation theories, reflecting a society in transition.

Keywords

Leadership, culture, *wasta*, Saudi Arabia

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Shining a Light on the Dark Side: How the Global Financial Crisis Exposed the Dark Side of Leadership

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Extended Abstract

The global financial crisis has had innumerate outcomes around the globe. Whilst most of these are generally perceived to be negative, there are outcomes which could be considered positive for society. One such outcome is the spotlight that the financial crisis has shone on corruption within organizations and in particular, the role that destructive leaders play in the promotion of negative behaviors within organizations. This interest in identifying so-called 'dark-side' traits in leaders is a positive step both academically and practically. Academically, there is a limited research examining individuals with 'dark-traits' within organizations (Mahmut, Homewood & Stevenson, 2008). Practically, most leader derailment can be attributed to 'dark-side' traits and leaders with such traits are implicated in a host of issues for organizations including poor staff morale and satisfaction, bullying, poor levels of productivity, high staff turnover, unethical behavior and even white collar crime (e.g. Boddy, 2010, 2011; Leshia & Leshia, 2012; O'Boyle, Forsyth, Banks & McDaniel, 2012; Sanecka, 2013). This paper focuses on one of the 'dark-side' traits; psychopathy.

Psychopathy is a personality disorder characterized by guiltlessness, incapacity to experience love, impulsivity, shallow emotions, superficial charm and an inability to learn from experience (Cleckley, 1941, 1982). Research has found that individuals with high levels of psychopathy can be found working within organizations and experiencing some degree of career success (e.g. Babiak, Neumann & Hare, 2010; Board & Fritzon, 2005; Boddy, 2010; Lilienfeld, Litzman, Watts, Smith & Dutton, 2014). These individuals are theoretically thought to be attracted to careers which offer power, status and monetary rewards. In particular, the finance industry has been suggested as an ideal work place for the organizational psychopath. Some authors go as far as attribute organizational psychopaths a key role in the financial crisis (Boddy, 2011). However, little research has been conducted to explore whether levels of psychopathy in employees differ across industries and what careers might be most attractive to individuals with high levels of psychopathy.

This paper presents the results of a large scale survey of 265 alumni of universities in the Central England region of the UK. The survey was conducted to assess the link between levels of three factors of psychopathy (Egotism, Callousness and Antisocialism) with occupation as defined by Holland's RIASEC model. Participants completed Brinkley, Diamond, Magaletta & Heigel's (2008) revision of Levenson's Self-Report Psychopathy Scale and responded to questions regarding their current occupation. Logistic regression analyses were conducted to assess whether levels of Egotism, Callousness and Antisocialism were predictive of occupation.

The results showed that when compared to individuals who occupy job roles within the Social sector of Holland's model, individuals with higher levels of psychopathy were more likely to be employed within Realistic, Investigative, Enterprising and Conventional roles. When comparing Social and Realistic roles, more Egotistical individuals were likely to be employed within Realistic roles. When

comparing those employed in Social roles to Investigative, Enterprising and Conventional roles, individuals with higher levels of Antisocialism were more likely to be employed within the latter three occupations than within Social roles.

This suggests that individuals with psychopathy do gravitate towards certain career paths. Social roles where job incumbents are required to be caring and interact with others to a large extent appear to be unattractive to individuals with high levels of psychopathy. Social roles are also associated with lower monetary rewards and are generally less prestigious (Henley, 2001). These individuals instead seek out occupations where there are higher levels of risk, power and reward. Roles in the Realistic category include those which include high levels of risk e.g. fighter pilot, fireman etc., (Cohen, Meir, Segal & Amar, 2003). Investigative careers hold the highest level of prestige and ranking. Enterprising roles include management positions where power is wielded over subordinates and sales roles, where customers can be manipulated (ACT, 2009). Conventional roles include those within the finance industry, which include some of the most financially lucrative positive available (Babiak & Hare, 2006).

The above suggests that individuals with higher levels of psychopathy may be seeking to satisfy their self-centred natures by selecting careers which provide them with high levels of reward in one way or another. Alternatively, these individuals may select roles where their traits can be accepted. The importance of Antisocialism in predicting occupation may be testament to the importance of finding a career which 'fits' such traits. Antisocialism is generally associated with negative outcomes in the workplace (Ettner, MacLean & French, 2010). Therefore, finding environments tolerant of antisocial tendencies may be a priority for individuals with high levels of these traits. The results suggest that Enterprising, Investigative and Conventional work environments may be tolerant of Antisocialism in employees and Realistic environments tolerant of Egotism.

Academically, the results show that there is value in studying 'dark-side' characteristics in organizations. Individuals with higher levels of psychopathic traits, do not appear to randomly enter employment. Instead, they appear to gravitate to careers which meet their needs and/or tolerate their traits. It is important to further explore what industries and positions are particularly attractive to individuals with higher levels of psychopathy and what makes them attractive to these individuals. Such knowledge is important for practitioners to be able to advise organizations as to the likely level of risk they face of employing organizational psychopaths and to enable organizations which are particularly attractive to highly psychopathic employees to design selection systems which detect undesirable traits in candidates. Furthermore, organizations can examine their culture to assess whether traits such as antisocialism are tolerated (or even rewarded) and what the implications of this are.

Keywords

Psychopathy, occupational choice

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Do Learning Orientation and Training Practices Improve Organizational Effectiveness?: Evidence from Malaysian SMEs

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Abstract

The objective of this paper is to address the impact of learning orientation and training practices on organizational effectiveness (Medium-sized firms in Malaysia). It has been said that contemporary organizations require a strong learning orientation in order to gain some competitive advantage over others which may subsequently contribute to progressive economic development and improve resilience to both the organizations and nation. A theoretical model based on the Resource-Based View (RBV) approach to organizational effectiveness performance of SME was developed to answer the following research questions: (i) Do Learning Orientation (LO) influence firm effectiveness, (ii) Do training practices influence firm effectiveness. A total of 152 usable questionnaires were obtained from the survey, giving a response rate of 42%. Data were analyzed using PLS path modelling technique to test the relationships. The findings indicate that the relationship between Learning Orientation (LO) and firm effectiveness was supported. The finding also confirms the effect of training practices and firm effectiveness. More importantly, the results have demonstrated supportive evidence of the theoretical model of RBV as underpinning theory. These findings provide explanations on the relationships between learning orientation (LO), training, and how these variables affect effectiveness of SMEs in Malaysia.

Keywords

Learning orientation, training, SME, firm effectiveness, PLS path modelling

1. Introduction

SMEs are chosen as a focus of this study because of the important role they play in economic development in many countries and also in Malaysia. They are also key drivers of growth towards the achievement of a high income nation status. SMEs make significant contributions because of their large numbers, give employment opportunities, increase productivity, promote competition, support big companies, stimulate innovation and encourage entrepreneurship (Hashim, 2010; Mahmood & Hanafi, 2013). Since the government has made SMEs a part of the national agenda for the nation's growth, it is important to study issues and challenges faced by SMEs in order to ensure the investment in this sector is fully and successfully utilized. Furthermore, this will be a preparation for them in facing current economic situation especially to equip them in facing possible economic crisis.

Most of SME firm came from entrepreneurs that were keen in venturing into business. Despite the government's comprehensive entrepreneurship training and development programs, it was found that a significant number of entrepreneurs still have not been able to sustain their business operations, thus causing their businesses to fail (Mat Zain & Senteri, 1998; Mohd Noor, Mokhtar, Abd Rahman & Abd Moen, 2002). Therefore, it is important to study further on the performance of SMEs in Malaysia. In fact, research on SME entrepreneurs from the Malaysian perspective is also scarce. Very little empirical research has been conducted to assess the critical factors that can assist SME to increase their performance and to sustain their business. Having realized this issue, this study aims to explore the phenomenon of business performance amongst the SMEs in Malaysia. The implication of this study can encourage SMEs to operate effectively and efficiently and to allocate a substantial amount of their resources to the development of their firms. That is the reason why the study uses firm effectiveness as a main factor. It uses one established theory, i.e., the Resource-Based View (RBV) theory that is widely used in organizational studies.

Even though this topic is common in research, further studies are still needed to explore the issue and to explain their relationship, especially in the context of Malaysia SMEs. The research questions conceived in this study focus on the following: What is the relationship between learning orientation and training and the performance of Malaysia SMEs (i.e., effectiveness). The research question above is divided into the following sub-research questions:

1. Do learning orientation influences effectiveness of SMEs in Malaysia?
2. Do training practices influence effectiveness of SMEs in Malaysia?

The objective of this study is to examine the effect of learning orientation and training practices on the effectiveness of SMEs in Malaysia.

2. Literature Review

This paper deals with four basic concepts: Resource-based View (RBV) Theory, SME effectiveness, the relationship between learning orientation and SME effectiveness and the relationship between training practices and SME effectiveness.

2.1. Resource-based (RBV) theory

The resource-based view (RBV) of the firm provides a theoretical foundation for the exploration of learning orientation and training practices and the effect on firm effectiveness. The RBV argues that firms possess resources which enable them to achieve competitive advantage and a finally lead to long-term performance (Barney, 1991; Das & Teng, 2000). In this theory, there are four important elements that should be possessed by the resources that are 'VRIO'. VRIO means the resources should be valuable, rare, inimitable and non-substitutable. The rareness is important only if a

resource is valuable and exists only if the resource cannot be imitated by competitors. This characteristic can lead to firm performance and the firm finally gaining competitive advantage and enhance firm efficiency (Holtbrugge, Friedmann & Puck, 2010; Lepak & Snell, 1999; Newbert, 2007). In general, empirical studies using the theory have strongly supported the resource-based view (Das & Teng, 2000). Resource Based theorists (Barney, 1991; Grant, 1991; Peteraf, 1993) contend that the assets and resources owned by companies may explain the differences in performance. Resources are an underlying factor of performance and also can lead to competitive advantage and contributing to organizational effectiveness, especially SMEs' effectiveness. This is the reason why this theory found to be suitable to use in this study.

2.2. SME effectiveness

From the Malaysian perspective, the government has adopted a common definition of SMEs in various economic sectors or subsectors in order to facilitate effective development policies, provide assistance and support programs for SME development. Based on Table 1 and Table 2, SMEs in Malaysia can be defined into two broad categories, according to the activity of an enterprise. First, an SME which is involved in category (a) must have fewer than 200 full-time employees; OR an annual sales turnover of less than RM50 million. Meanwhile, an SME which falls under category (b) must have fewer than 75 full-time employees; OR an annual sales turnover of less than RM20 million.

Table 1: Number of Full-Time Employees

Sector Size	Other Sector	Manufacturing	Service
Micro	<5	<5	<5
Small	>5 but<30	>5 but<75	>5 but<30
Medium	>30 but <75	>75 but <200	>30 but <75

Source: SME Corp 2014

Table 2: Annual Sales Turnover

Sector Size	Other Sector	Manufacturing	Service
Micro	<RM 300,000	<RM 300,000	<RM 300,000
Small	>RM 300,000 but <RM 3mill	>RM 300,000 but <RM 15mill	>RM 300,000 but <RM 3mill
Medium	>RM 3mill but <RM 20mill	>RM 15mill but <RM 50mill	>RM 3mill but <RM 20mill

Source: SME Corp 2014

Where firm-level performance of SMEs is concerned, no definitions used for the larger counterparts are directly applicable (Frank, Kessler, Mitterer & Sammer, 2012). SMEs have specific characteristics that distinguish them from large organizations. They are independent, multi-tasking and cash-constrained; businesses are based on personal relationships and informality. They are actively managed by the owners, are highly personalized and largely local in their area of operations. They are also largely dependent on internal source of funds to finance their growth (Perrini, Russo & Tencati, 2007). As such, when compared to larger firms, the process of achieving the desired performance in SMEs becomes a big challenge.

Previous studies on SME performance have found that both internal and external factors influence the performance of SMEs (Krishna Moorthy et al., 2012; Frank *et al.*, 2012). These factors include poor financial control, managerial control, managerial style, managerial capacity, lacks of market growth, poor knowledge about the customers' need, poor relationship with customers and the discontinuity of managing change (Herath & Mahmood, 2013). Firm performance is defined in various ways across different contexts and issues. Performance can also be in a form of non-financial performance, including customer satisfaction, innovation, workflow improvement and skills

development (Marimuthu, Arokiasamy & Ismail, 2009; Tzafir, 2006). On the contrary, the extant studies of SMEs define firm performance using performance indicators, such as return on equity (ROE), return on assets (ROA), return on sales (ROS), equity, assets, sales, gross profit and number of employees. In this study, the performance of SMEs refers to effectiveness.

The concepts of performance and effectiveness are commonly used when discussing organizational systems and these concepts also focus on the results. Performance is usually assessed in terms of the results of organizational objectives; this includes the measures of effectiveness in an economic way by utilizing the cheapest inputs; and of efficiency by giving best output for a given input (Anandtadjaya, Handojo & Finardi, 2012). Firm effectiveness is the satisfaction of the firm in utilizing its resources effectively and efficiently to get the desired effect (Manzoor, 2012). Yukl, (2008) defined the effectiveness of firm as the extent to which it is able to survive, perform its mission and maintain favorable earnings, financial resources and asset value. Firm effectiveness also is the ability of an organization to fulfil its mission through sound management, strong governance and a persistent rededication to achieving results (Alinaitwe, Mwakali & Hansson, 2009). In the context of SMEs, the effectiveness is defined as utilizing its limited resources effectively and efficiently to get the desired effect.

2.3. Learning orientation and SME effectiveness

Senge (1990) focuses on a basic definition of learning orientation as the ability of an organization to use the five disciplines of team learning, personal mastery, mental models, building shared values and systems thinking. Learning orientation that has been defined in this study is a set of organizational values that influence the organization to learn, which includes the commitment to learning, open-mindedness and shared vision (Long, 2013; Senge, 1990; Sinkula, Baker, & Noordewier, 1997). Commitment to learning is the core of organizational learning, i.e., whether the organization is willing to promote the learning culture. Open-mindedness is an organizational value that may be necessary for unlearning efforts. Shared vision influences the direction of learning. Learning orientation is established when the learning process is embedded among the members of the organization (Fong & Chang, 2012). They add that learning orientation influences the degree to which an organization is satisfied with its knowledge base and proactive learning occurs. Firms that have enhanced learning orientations are more willing to question the assumptions about their fundamental operating philosophies (Baker & Sinkula, 1999).

A study by Martinette, Leeson, Gomez and Webb (2014)' and Long (2013) found that there is a positive relationship between learning orientation and firm performance and also with competitive advantage (Fong & Chang, 2012; Frank *et al.*, 2012; & Martinette *et al.*, 2014). Learning orientation of SMEs also has positive relationship with firm performance (Frank *et al.*, 2012). A study by Suliyanto and Rahab (2012) found that there is positive effect of learning orientation and innovation and also is a source of competitive advantage. Therefore, organizations should facilitate learning orientation as a main agenda. Learning orientation is viewed as important for learning within the organization, where an organization that possesses a high degree of learning will have a strong commitment to learning (Sinkula *et al.*, 1997). Organizations also have to view learning as investment that gives long-term benefits to organization. It is also a way for the organization to commit to problem-solving efficiently (Suliyanto & Rahab, 2012).

2.4. Training practices and SME effectiveness

Training is an important human resource practice and it can be used as an example for the organization to show their strength over competitors. A number of studies have indicated that training has a positive impact on firm performance (Aldamoe, Sharif & Hamid, 2013; Ashar, Ghafoor, Munir & Hafeez, 2013; Magableh, Kharabsheh & Al-Zubi, 2011; Rabemanjala & Parsley, 2006; Rosli &

Mahmood, 2013) and also is one of the ways to improve organizational effectiveness (Punia & Kant, 2013).

Konings and Vanormelingan (2010) and Singh and Mohanty (2012) found that training is a fundamental instrument to achieve a firm's goals and objectives. It also has greater impact on productivity compared to increase in wages. Wan (2007) found that training and development improves job performance because the employees do their job effectively and this will translate to higher productivity. This can open possibilities for the government to give training subsidies to the firm in order to boost productivity. Menon (2013) also found that investment in training will lead to improved productivity by enhancing the skills and competencies of employees. Training, together with the other activities, can result in an increase in productivity and decrease in staff turnover (Singh & Mohanty, 2012).

Training is also important to the human resource department in order to control the turnover of employees by helping and motivating them to achieve their professional and personal goals. A study by Ashar *et al.*, (2013) found that there is a positive relationship between training and affective commitment, i.e., a desire or emotional attachment to the organization, which encourages employees to stay in the organization.

Organizations are willing to invest a big sum of money in training their human resources because these resources are considered as important assets (Guest, 2011; Ukenna, Ijeoma, Anionwu, & Olise, 2010). Through training, employees will acquire new knowledge and skills which can improve their productivity. This will then lead to increased organizational performance and effectiveness. With the current economic pressure, business leaders are more concerned with cost of investment in training and they are more sensitive to the return of this investment. Therefore, organizations have to ensure that their investment can provide value and this training should be evaluated so as to avoid wasteful investment. That is why training is likely to be given to more educated employees because the rationale is the more educated the employees, the more likely they can succeed in the training program, thus minimizing the employer's risk on training investment (Rabemanajara & Parsley, 2006). Additionally, training needs application because successful training requires theory, demonstration and application that would result in beneficial firm level outcomes and would affect employee performance (Singh & Mohanty, 2012).

It cannot be denied that highly knowledgeable and skilled workers contribute to organizational performance (Mahmood & Hanafi, 2013; Ukenna *et al.*, 2010). By conducting training, human resources can be optimized because in SMEs, human resources can be very limited and constrained since people prefer to work for large organizations. Further, training will give satisfaction to employees and this will motivate them to work harder in the organization and subsequently, enhance the performance of the organization. Training does not only benefit the employees themselves, but also can aid other employees since people will always learn from one another.

This study attempts to establish the relationship between training and organizational effectiveness. As mentioned by Konings and Vanormelingan (2010), training is a fundamental instrument to achieve a firm's goals and objectives. This premise is a strong argument to discuss the relationship between training and organizational effectiveness because the definition of organizational effectiveness itself is the satisfaction of the organization in utilizing its resources effectively and efficiently to get the desired effect. The desired effect, in turn, depends on the goals of the organization which have been set earlier.

3. Hypotheses

3.1. Hypothesis development of learning orientation

Efforts to associate a learning orientation with performance generally indicate that organizations with high levels of learning orientation generally outperform their rivals, particularly in turbulent and intensely competitive environments (Dickson, 1992; DeGeus, 1988). Baker and Sinkula (1999) found evidence to support a positive relationship between a learning orientation and firm performance. Moreover, there is evidence to link learning orientation to operating efficiency. Learning provides the opportunity for decisions to be made with an understanding of the myriad of variables and relationships that leads to desirable firm performance. Therefore, superior performance, in the long run, depends on learning excellence with a long-term systematic focus (Senge, 1990). From the above discussion, it is expected that learning orientation has a relationship with firm effectiveness. Based on this paucity of empirical evidence, the following hypotheses are posited:

Hypothesis 1: There is a positive relationship between learning orientation and SMEs effectiveness.

3.2. Hypothesis development of training practices

Konings and Vanormelingan (2010) found that training is a fundamental instrument to achieve a firm's goals and objectives. Singh & Mohanty (2012); and Wan (2007) found that training and development improves job performance and enhances the skills and competencies because the employees do their job effectively and this translates to higher productivity. Through training, they can improve their productivity which will then lead to organizational performance and effectiveness. Previous studies have shown that highly knowledgeable and skilled workers will contribute to firm performance. Thus, the hypothesized relationship between training and firm effectiveness is as follows:

Hypothesis 2: There is a positive relationship between training practices and SMEs effectiveness.

4. Methodology

This study adopts quantitative research approach to assess the structural relationships among the three constructs: firm effectiveness, learning orientation and training. Partial Least Squares (PLS) path modeling in conjunction with SmartPLS was used to test two hypotheses based on the RBV Theory (Barney 1996). The study also adopts cross-sectional research design in which data was collected once during the whole study. The data were then analyzed and interpreted statistically, while drawing conclusions or making inferences about the population of the study at one point in time. Cross-sectional research design was adopted because of the resource constraints of the researcher in terms of time and money (Punch, 2005; Saunders, Lewis & Thornhill, 2009; Sekaran & Bougie, 2010; Zikmund *et al.*, 2009).

In this study, survey research method was used to collect data through a self-administered questionnaire. Survey research was considered the most appropriate because it is a widely used method adopted by organizational researchers who are interested in collecting information about a very large population that cannot be observed directly (Keeter, 2005; Tanur, 1982). Because the target populations of the study are top management of SMEs, therefore, the unit of analysis in this study is the SME firm.

4.1. Dependent variable

Dependent variable here refers to firm effectiveness. According to Yukl (2008), firm effectiveness is the extent to which a firm is able to survive, perform its mission and maintain favorable earnings,

financial resources and asset value. Effectiveness depends on three primary performance determinants: efficiency and process, reliability and human capital and adaptation to the external environment. In the present study, participants were asked to indicate the extent to which they typically engaged in firm effectiveness for a total of 19 items adapted from Hsu, Bell and Cheng's (2002) instrument using a five-point Likert scale with 5 as 'strongly agree' and 1 as 'strongly disagree'. The items for firm effectiveness comprise 19 items relating to organization, decision-making, job satisfaction and personnel relationships. The Cronbach's Alpha is 0.924. Table 3.1 presents the items used to measure firm effectiveness.

4.2. Independent variables

4.2.1. Learning orientation

Learning orientation is a set of organizational values that influence the propensity of the firm to create and use knowledge (Sinkula *et al.*, 1997). The instrument that measured learning orientation was adopted from Sinkula *et al.* (1997). The items for learning orientation comprise 15 items on commitment to learning, shared vision/purpose and open-mindedness. The items were measured on a five-point Likert scale with 5 as 'strongly agree' and 1 as 'strongly disagree'. The Cronbach's alpha for this scale is 0.879. Table 3.1 presents the items used to measure learning orientation.

4.2.2. Training practices

According to Lo, Mohamad & La (2009), training is a planned and systematic effort to modify and develop knowledge, skill, competency and attitude toward learning experience to achieve performance. In the present study, the respondents were asked questions about the design, development, monitoring and the effectiveness of the training. The measurement for training was adopted from Ukenna *et al.* (2010) using a five-point Likert scale with 5 as 'strongly agree' and 1 as 'strongly disagree'. The items for training comprise five items on effectiveness of training. The Cronbach's alpha for this scale is 0.859. Table 3 presents the items used to measure training.

Table 3: Instrumentation

Variables	No of Items	Source
Firm Effectiveness	19	Hsu, Bell et al. (2002)
Learning Orientation	15	Sinkula et al. (1997)
Training	5	Ukenna et al. (2010)
Total	39	

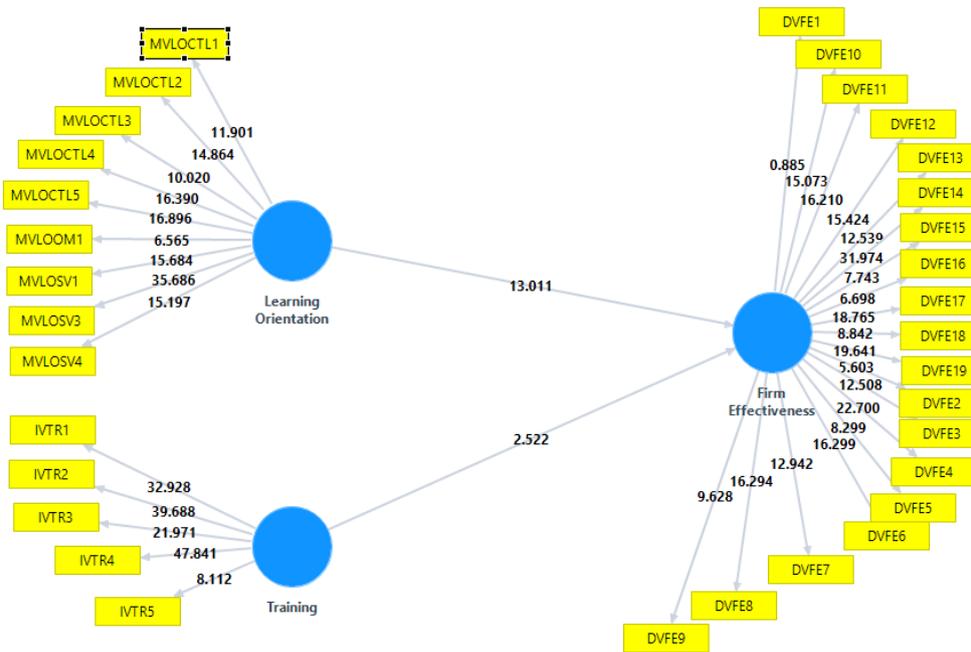
Source: Researcher

5. Results

5.1. The measurement and structural model

A measurement and structural models were obtained as per Figure 5.1 and Table 5.1 below by using PLS path modeling.

Figure 5: Measurement Model



Source: Researcher

Table 5: Structural Model Assessment

	Beta	SE	T Values	P Values	Decision
Learning Orientation -> Firm Effectiveness	0.699	0.052	13.568	0.000	Supported
Training -> Firm Effectiveness	0.171	0.066	2.592	0.005	Supported

Source: Researcher

5.2. Hypotheses tests

The results shown in Table 5 are the hypotheses tested between the variables in this study.

5.2.1. The relationship between learning orientation and firm effectiveness

Hypothesis 1 reveals a significantly relationship between learning orientation and firm effectiveness ($\beta = 0.0699$, $t = 13.568$, $p < 0.01$); thus Hypothesis 1 is supported. It can be concluded that learning orientation has a positive relationship towards SME effectiveness. This shows that for every increase of learning orientation, firm effectiveness will also increase at a positive value. This finding is consistent with the previous literature that learning orientation increases firm effectiveness (Fong & Chang, 2012; Frank *et al.*, 2012; Long, 2013; Martinette *et al.*, 2014; Sulianto & Rahab (2012). Based on the provided data, attention to learning orientation is the most significant indicator in order to boost firm effectiveness. Therefore, the strategy required to improve the performance of SMEs in Malaysia is to practice learning orientation that could help enhance SMEs' effectiveness.

5.2.2. The relationship between training practices and firm effectiveness

In examining the influence of training, the result indicates that training has a significantly positive relationship with firm effectiveness ($\beta = 0.171$, $t = 2.592$, $p < 0.01$), supporting Hypothesis 2. Hence, this study hypothesized that training practices is significantly related to SME effectiveness. This shows that for every increase of training practices, firm effectiveness will also increase at a positive value. This finding is consistent with the previous literature that training increases firm effectiveness

(Aldamoe, *et al.*, 2013; Ashar *et al.*, 2013; Chang & Huang, 2010; Magableh *et al.*, 2011; Olufemi, 2009; Punia & Kant 2013; Rabemanjala & Parsley, 2006; Rosli & Mahmood, 2013; Ullah & Yasmin, 2013). Based on the provided data, attention to training is the most significant indicator in order to boost firm effectiveness. Therefore, the strategy required to improve the performance of SMEs in Malaysia is to identify the proper and right training that could help enhance SMEs' effectiveness.

6. Theoretical Implications

The conceptual framework of this study is based on prior empirical evidences and theoretical gaps identified in the literature. It is also supported and explained from the theoretical perspective, namely the Resource Based View (RBV) Theory by Barney (1996). A study by Holtbrugge *et al.* (2010) has shown that there is a relationship between RBV organizational activities. This study, which discusses learning orientation and training have met the criteria of the RBV Theory. The present study incorporates the RBV Theory to better explain and understand the relationship between learning orientation and training with firm effectiveness. This study provides a theoretical implication by giving additional empirical evidence under the RBV Theory. The findings of this study demonstrate a positive relationship between learning orientation and training with firm effectiveness, consistent with previous literature. Newbert, 2007 in his study on empirical research on RBV found that RBV has received only modest support overall and this support varies considerably with the variables and approach employed. Barney and Arian, (2001) in his assessment on empirical study of 166 articles found that only 2% of the results are inconsistent with RBV theory.

This study contributes to the body of literature in several ways. It extends previous literature by demonstrating that learning orientation, training practices and firm effectiveness are positively related. Furthermore, The RBV Theory was incorporated as a useful framework for explaining phenomena related to firm behaviour. This study brings the notion of resource acquisition into focus as a performance-driving mechanism. This links well with the RBV of the firm which postulates that the presence of assets that are difficult to imitate are associated with the firm's effectiveness.

7. Practical Implications

Based on the research findings, the present study has several practical implications in terms learning orientation and training in the context of SMEs. The results suggest that learning orientation and training is an important consideration in managing firm effectiveness. Therefore, SMEs must make considerable efforts to apply learning orientation and to enhance training activities. SMEs are urged to devise learning and training modules in their firm. This study contributes further by focusing on a sample population that has been reported as not studied before, i.e., the SMEs. The finding is important in that SMEs are growing phenomena in the country, and any knowledge of factors that could contribute to their success will be beneficial.

8. Methodological Implications

Another methodological contribution of this study is related to using PLS path modeling to assess each variable. Thus, this study has managed to use one of the more robust approaches (PLS path modeling) to assess each variable illustrated in the conceptual model of this study.

9. Limitations of the Study

Even though this study has provided support on relationships between the independent and dependent variables, the findings have to be interpreted with consideration of the study's limitation. There are a number of limitations in this study. The first limitation is the relatively low response rate. This low response rate may have a negative impact on both the size and quality of the sample. The

resultant sample cannot be accurately described as a truly representative sample, and therefore the generalizability of the findings is limited. Another limitation is the study's cross-sectional design. Cross-sectional data can provide a snapshot of one point in time. In addition, cross-sectional research can show how learning orientation, training and firm effectiveness relate to each other but does not show how the firm evolves as the environment changes. A longitudinal research design would be required in order to systematically track the strategy evolution over time. Furthermore, a longitudinal study could better identify likely causation in learning orientation, training and firm effectiveness.

The third limitation is the reliance on self-reports of the managers who responded to the survey. These perceptions might not mirror the exact level of activities currently taking place within the firm. An objective measure was used in this study. The use of secondary data might help in giving better interpretation on firm performance. The fourth limitation is it also important to note that the firm effectiveness reported in this study is subjective. Subjective measure is susceptible to many types of judgmental biases. Although it was not easy to obtain objective data, the use of objective measure would have clearly strengthened the results. Furthermore, this study views firm effectiveness as how the decision makers value their organization, i.e., the degree to which they are satisfied with their performance in terms of their feeling about firm effectiveness. Another limitation of the study was the inability to control who actually completed the survey since it was a mail survey. Although the letters explaining the survey were addressed to top management by name, it is possible that some simply assigned responsibility to respond to a subordinate who may not have been well-versed on the firm's strategy and performance. Despite these limitations, the researcher believes that this study has interesting results since it the study has looked at the interaction effects on firm effectiveness.

10. Suggestions for Future Research

This research investigates a significant relationship between learning orientation, training and firm effectiveness. The research reveals positive effects from the significant relationships among learning orientation, training and firm effectiveness. This study can also become the basis for examining the relationship between demographic characteristics of the SME owners between learning orientation and training with firm effectiveness. There have been studies on SME owners; however, they have focused on the relationship with business success or types (Awang, Khalid, Yusuf, Kassim, Ismail, Zain, & Madar, 2009; Mahmood & Hanafi, 2013). Therefore, in future, it is recommended that additional research should focus on improving and validating measures of learning orientation, training and firm effectiveness.

There is also a need to focus on obtaining data over time. This research does not identify what changes in attitude and perceptions will occur among SME owners with changes in activities, relative to length of time. It is not known what, if any, attitude will be strengthened or weakened over time. Thus, a longitudinal study is required to confirm or refine this study's results. Longitudinal study could also assist in the further understanding of changes in activities and attitude levels of SME owners.

Finally, this study employed quantitative research method and the survey questionnaire was the only instrument used to collect data. Perhaps, future research could employ qualitative method which could include face-to-face interviews to elicit verbal descriptions of characteristics, cases and the setting. Qualitative research can investigate an in-depth understanding of the SME owners who may face unique challenges in running their businesses. In addition, qualitative research can delve into the individual's understanding, motives, attitudes and other underlying factors. This approach can help unearth the inner feelings and reality of these SME owners, which is not evident in the current study. Therefore, a longitudinal design in future needs to be considered to measure the theoretical

constructs at different points in time to confirm the findings of the present study. Future research also could conduct a more objective assessment of effectiveness that is hard measure in order to get a better finding on firm effectiveness.

11. Conclusions

The purpose of this study is to investigate the relationship between learning orientation and training practices with firm effectiveness of SMEs. Consistent with much of the literature, there is a positive relationship between learning orientation, training practices and SME effectiveness. Thus, this study supports the variables on the theoretical framework of the study, i.e., learning orientation and training practices and support from the RBV Theory. The current study has successfully answered all the research questions and objectives despite some of its limitations. In addition to the theoretical contributions, the results from this study provide some important practical implications to organizations and managers. Further, on limitations of the current study, several future research directions are drawn. In conclusion, the present study has added valuable theoretical, practical, and methodological contribution to the growing body of knowledge in the field of SMEs.

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Ethnographic Research and Marketing: Challenges in Implementing This Tool in Understanding the Emerging Consumer - A Practical Approach

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Consumer behavior, emerging consumer, ethnographic research, marketing research, emerging economy

1. Introduction

This paper discusses challenges and the contribution of the application of ethnographic research in marketing business. Ethnography is a unique tool of Anthropology and only recently, in the last 20 years, has become more popular for companies in search for the voice of the consumer and production insights, especially in emerging economies such as Brasil. However, the methodological principles of ethnography are rarely in line with the scenario of businesses and management. The challenge is to adapt ethnographic research to reality and the need for business agility, but without losing the characteristics that identifies it as an anthropological tool. In this paper, I present a proposal to adapt the ethnographic tool for business, tested over the last 10 years in Brazil, for understanding the meanings of consumption and production insights for companies operating in different sectors. As a case study the paper presents the challenges of understanding the motivations of the Brazilian low income group, an excluded public consumer that is now facing a market and emerging economy and surprisingly growing consumption of such items once considered superfluous: products of decoration and home improvement.

The growing economy in Brazil included a new public in the consumption market: the low income group. Thus far, this audience was overlooked by businesses and there were few marketing actions that had this group as target. A wide range of consumer credit, actions in economic policy, income distribution meant that the Brazilian economy could stand out worldwide as a leading emerging market, but was followed by a public consumer whose consume emerged only recently. This emerging movement in the economy and consumption has sparked interest from companies in the use of research tools that enabled differentiated and more direct contact with the consumer. The goal now is to humanize the consumer through research to map and deeply understand their values and motivations of consumption and lifestyle.

Hence, the market demand has grown by ethnographic research for two main objectives: to promote a more holistic and human approach about the consumer; allowing direct contact between marketing executives and the consumer, since most of these executives in Brazil belong to the high income segment therefore ignoring the everyday life and buying habits of low income group which currently represents a market of at least 100 million consumers.

The use of ethnographic research in business presents some major challenges that actually characterize it as a unique tool of Anthropology and socializing that demands a long and ongoing public study. It was first applied to the study of primitive societies, anthropologists and social scientists devoted months and sometimes years of living and immersion with the locals. These characteristics do not match the requirements of companies and businesses in general need of short-term results and a representative sample. How to apply ethnographic research in business so that it maintains its original features but can also meet the needs of the Market?

The purposes of this paper are:

- Discuss the role of market research under the growing pressure that afflicts companies in search for profits.
- Think through a case study, how it is possible to build knowledge and real impact on the Marketing business and even in society, starting from market research.
- Understand the meanings of consumption for low income group in the home improvement market.

2. Research Gap and Research Problem

Although the ethnographical research has started to draw the companies' attention more effectively in the last few years, it is still considered as an academic tool, very subjective and exclusive of special

and sporadic projects. In general, Marketing executives are not able to see the application of the ethnographical research for the company strategies and are even less able to realize the results that can increase profits. Even anthropologists are critical about the application of ethnography by the business world. That is a controversial debate which has accompanied market research.

Summarizing, we have as the major challenges of this methodology:

Challenges of the ethnographical method	
Challenge	Controversies
Short-term results	Anthropologists and scholars insist that the ethnographical research can only be applied in long-term studies.
Interviewee's space	Different than primitive communities, which had been the first object of the ethnographical studies, consumers move around during the day: home, office, school, movie theatre, theatre and bar. Therefore there is a greater challenge in observing urban community versus primitive tribes.
Interviewee's time	Consumer's timing is different than the time limit imposed by the client for the presentation of the project results. This happens because the interviewee has other priorities and activities. Besides that, he/she consumes and relates to the studied brands and products.
Sample	Due to the diversity of styles in urban spaces, the sample formation is a challenge for the ethnographical market research. Under this aspect, clients/companies, scholars and even market research professionals are together in criticizing the application of ethnography in market studies.
Break of spontaneity	Clients/companies argue that the participating observation research does not identify the real behavior of consumers as they start "behaving" and acting in a different way since they know they are being observed and researched.
Informer	Considered truthful in the academic ethnography, the informer is generally mistrusted by market researchers that defend the application of a more representative sample.
Samples	The results of the ethnographical research tend to be too long, subjective and little related to the companies' profit expectations. In general, executives have some difficulty in understanding how to use the ethnographical research data in the quest for higher profits.

Several authors (ELLIOT, MILLER, OLSON) have the following questions about the challenges of ethnographic research applied to marketing:

- How to conduct an ethnographic research that ensures the interaction and immersion in the everyday consumer life, but without taking long periods, often unfeasible for companies?
- How to have an immersion in everyday consumer's life ensuring minimal interference?
- How to promote direct contact between company executives and the consumers? Is it really possible for top up executives to interact with the consumers in their lives?
- What are the ways to generate useful insights for businesses?

3. Research Methodology

The aim of this research methodology was to study the cultural and market impacts and the motivations of the low income group to the consumption of home decor and home improvement. For this we used ethnographic research that enabled the interaction and immersion in 40 family houses in the low income group, in 4 different cities in Brazil: São Paulo, Rio de Janeiro, Porto Alegre and Salvador.

4. Data Analysis and Results

The main results of this study, as the reflection on the use and application of ethnographic research, concluded that the rigorous selection of the sample ensures a better quality in the production of insights and adequate adaptation of ethnography for business, preserving its original features.

Cultural characteristics that impact consumption practices of low income group for decorative products and home improvement:

- Meanings of basic goods and superfluous,
- Home decor as a vehicle of expression of the residents' identity,
- Importance of inclusion in the consumption group a public that was overlooked by the market.

5. Implications of the Study

The paper introduces a case study in which interviewers had lived at the interviewed consumers' house. This practical case provides the discussion about the following themes:

- Problems and methodological and operational challenges to live in the consumers' house during a certain period of time.
- The consequences and the real impact on researchers, clients and interviewees deriving from a study in which the researchers coped and lived in the interviewees' house.
- It shows how it is possible to obtain practical results from a studied focused in consumers' feelings, values and emotions.
- The experience of listening to the interviewees after the research: how deeply consumers really changed their habits and behavior during the observation research.
- It reveals marketing opportunities and information about low-income consumers' behavior. This segment is little studied in the whole world and it has been pointed out by the most strategists as a promising trend in the business world.

It is not merely an experience limited to a certain place but it can be helpful in facing challenges and achieving changes in every country of the world, specially the emerging markets and economies.

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Netactivism against Brands: Consumer Behavior and Political Consumerism on Social Networks

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Abstract

Digital activism is a recent development and an expression of the political exercise of users of the cyber world, especially on social networks. One of its modalities is consumer's manifestation against companies and brands through denouncement of their crimes and attempts of boycotts in order to achieve positive gains for the collective. Boycotts of this kind are even more serious for brands in times of economic crisis. This article aims to understand which characteristics favor the success of such manifestations, paralleling consumer scandals and political scandals.

The digital activism against brands have taken place worldwide. This study focuses on the experience of Brazil, a country that has the second largest share in social networks. Netnography was carried out in order to trace the behavior of consumers in the digital networks from brands. As a result, we have identified situations in which this kind of boycott can be severe for companies in times of crisis. Along these lines, consumption is seen as the breeding ground for political exercise, considering that this practice is even more accessible through social networks.

Keywords

Consumer behavior, conscious consumption, citizenship, digital activism

1. To Consume With Conscience

Recently the digital world has been a seedbed for consumers' manifestations, much of those against companies' policies. This consumer voracity is not recent, but a long-term clash existing throughout consumer's history and consumer's genealogy (Micheletti, 2003), not only over dissatisfaction with a product or a service, but also with issues related to the production process and use of the workforce, the impact on societal wellbeing, the impact and consequences on the environment as well as the rights of inclusion on consumption through a more egalitarian access to goods through buying power or price adjustments.

There are many cases of consumers rising against companies: North-American movements against industry and retails using slave labor (1764), and even before, in 1756, in the so called War of Independence, against imported goods from England; the foundation of the New York Consumers League in 1891 with the creation of guides for companies with an ethical attitude of that time; the many demonstrations all across Europe throughout the XIX century fighting for water, bread and milk quality, along with other goods considered as essentials; a series of boycotts against companies and even of consumption itself, since the creation of boycotts in 1878, going through many, frequent and memorable moments of XX century, when big multinational corporations suffered attacks from consumers.

What's new is the use of cyberspace for consumer manifestations. On social networks, its frequent the testimony and denunciations of consumers against companies for the most diverse of reasons, going from a particular and punctual dissatisfaction until denounces of exploitation of workers and slave labor, use of substances in products that might compromise consumer's health; pollution of natural resources; deforestation, among many other types of complaints.

The collective emerges on the digital environment in a variety of creative ways. There are pages on the social network Facebook instigating the boycott against many companies, as O Boticário (<http://www.facebook.com/pages/Boicote-Boticário>), of consumerism in general (<http://facebook.com/BoicoteOConsumismo>) and also more structured sites originated from the organization of civil society and that led to organizations or civil associations that take the lead in denouncing the companies. For this last example, the most prominent cases are Reclameaqui (www.reclameaqui.com.br) and BoicotaSP (www.boicotasp.com.br).

These reactions of consumers on the digital space create effective results in pressuring companies, on raising collective awareness and on changes in companies in society. Some recent and famous cases exemplify these movements. In August of 2011, after increasing denounces from the public, the multinational retail store, Zara, was fined by the Ministério do Trabalho e Emprego (Labor Ministry) on 48 infractions, among them, over exploitation of it's workers, use of underage workforce and ethnic discrimination. According to auditors' analysis, it became clear that quáchua and aimará indigenous hired by the company were treated indignantly, with long exhausting working days and degrading work place compared to the ones offered to Brazilian workers.

The Brazilian shoe and accessories brand Arezzo is another example. In the beginning of April 2011, the company launched a collection named PeleMania (FurMania), that highlighted the use of fox and rabbit skin for making shoes, bags and scarfs. Once again, social networks on the digital space were shown as a fast channel for instigating boycotts against the brand. On Facebook, the page "Boicote Arezzo" (Boycott Arezzo) was created. By 18th of April, the brand was on the Brazilian trending topics – the most commented topics on microblog Twitter. Before any official audit, Arezzo came to public apologizing and withdrawing the products from the market. The company's reaction corresponds to what Monroe Friedman (2006) brings to attention: consumer manifestations, like the boycotts, make companies worry more about their brand credibility than the financial losses. But it's important to

note that these manifestations will only gain attention once it becomes part of the media agenda, especially in the press.

Canclini highlights the importance of the upbringing of the citizen-consumer, on an antagonist view from the orientation that until recently was dominating the studies approaching individuals as stimulated and manipulated by market techniques. The author explains “today we processes as more complex than manipulative actors and docile audiences”(1995:52) and highlights that “the act of consuming brings in itself, a interactive social-political rationale” (1995: 55).

2. Consumption as a Field for Political Exercise

We are all consumers, even when unaware of this. The different roles that we perform on contemporary life put us clearly as consumers, or as responsible for a kind of consumption. The combination of the consumption of a certain item and a certain activity often will put us as direct responsible for someone else’s wellbeing. In a society where even experiences and feelings are being marketed and available on shelves, there are no moments where we are not consumers. Nothing escapes from capitalist pricing. Campbell (2001, 2004) warns us that more than a consumption society we are a consumption civilization.

The exercise of power of choice and all its implications will mark the birth of the modern consumer in history. Freedom, individualism and private property are the three mains ingredients that form the shape of this consumer, adding the regulations that will ensure the exercise of these principles and the right of consumption. These ideals were present on the bourgeois revolutions that transformed religion (Protestant Revolution), politics (French Revolution) and economy (Industrial Revolution) as well as are the universal characteristics of citizenship. Therefore, the consumer is a bourgeois project.

We left the role of buyers or customers to become consumers when a new consciousness formed in our minds of our right to have secured the rights, and through consumption, the values of freedom, individualism and private property become duties and rights. This is how we became consumers, as shown by Zilioto:

“Because we consume we have a debt. Because we pay for it, we become more demanding in our negotiations. Provoked by discomfort and this responsibility, we turn into consumers of this reflection over our condition” (2003: 7).

Our rights and duties as consumers are prescribed and ensured in the legislative sphere that recognizes the consumer as a legal category. Here begins the first connecting link between consumer and citizenship in two ways: there are duties and rights and they also go through the legal system. They both are ensured by the State.

The connection between consumption and identity belongs not only to economic and symbolic dimensions, but also runs through social-political issues all the time. Consumption took over issues that were until then, associated with the State and also other ones that had no space for political expression. As explained by Canclini,

“[...] in other times, State would frame (even though unfair and limited) this variety of participations in the public life; nowadays, the market sets out a convergent regime for these forms of participation through consumption” (1995: 24).

Given this situation, considering the contemporary consumer as a mere direct result of capitalism system or market actions is to impoverish the debate around the implications of consumption on

contemporary life, its unfolds on different forms of sociability, everyday practices and as a political vehicle.

Capitalism is fast and skillful in absorbing public discourses and reverting their conflicts in its favor. The crisis that capitalism has been facing has not generated, so far, a revolutionary transformation in the sense of bringing it to a new level or to another economic system, but it has provoked its reconfiguration and maintenance, even though sometimes in a fragile and disjointed manner. In order to survive, capitalism has learned a way of feeding itself from its own crisis. That's what happened on the first half of XX century, when the promise of Welfare State was born, that disseminated a minimum standard of living and, through this, a capitalist way of living. The Welfare State aims to meet the social rights of citizens – wage, transport, education, housing, unemployment insurance etc. (Couvre, 2001, 58). These rights are then connected to consumer claims, and so, given new meanings according to the cultural interpretations of the living standards they long. The access to consumption has been gradually integrated to the social rights of citizens.

This transformation is at the core of the buyer, as one of its essential values in the sense of being the taxpayer – as in the movements against oligopolies and against the high taxes on water supply at the end of XIX century (Trentamann & Taylor, 2006). This path made the change of a negative image of the buyer – associated with waste and the superfluous – to a meaningful role in economy and society. More than someone who buys for individual matters, the consumer is also a taxpayer, as much as for public services as it is for private sphere.

There's a perverse characterization of the modern consumer, one that only gains rights once they start paying. Since the end of the 1980s, this concept became widespread across public companies, disguised as a goal for total consumer satisfaction. The administration of services linked to the State began to be guided by an orientation that would be the user as a final customer. Only what is paid for has value; only those who pay have rights. Only those who pay can claim. These are the paths of marketing the citizenship.

According to Micheletti (2003), consumers express their political views through consumption. After 1960, the complexity of market and society brought new subjects for consumer surveillance. The attention changed to focus on the impact of consumption on the collective wellbeing, on the environmental consequences, the use of health risking substances, slave labor in developing countries, and animal testing. Boycotts embodied with a global reach. Digital connection made it easier and faster for the dissemination of denouncements against companies' abuses and the mobilization against them.

3. Digital Activism against Companies

For the brief reflection that we aim through this article, we elected as our object of study the spontaneous manifestations of consumers on the social network Facebook. From a study that has been taking place for two years, with a sample of more than 40 cases in the city of São Paulo, we have been following declarations and denouncements on the form of posts that appear on the personal timeline of 40 interviewees. The sample is concentrated on the 20-40 age group, which represents a generation that migrated to the cyberspace during their youth or their student or young professional life.

Cases like these have been attracting the interest of scholars, not because they relate to consumption but mainly because it demonstrates a use of digital networks for political manifestations and expressions. Manuel Castells (1999) had already brought to attention the transformation of network society and digital media as an arena for expressing our values, feelings, sociability and political positions.

The following is a selection of posts, always manifesting a complaint, denouncement or inciting a boycott against a company. The names of the authors and companies are not revealed, because our goal is not to identify which companies suffers more attacks, but to understand the implications of this digital activism in relation to consumption.

“It’s been an hour and half I’ve been trying to cancel a football and a fight channel that miraculously appeared on my cable tv bill. I don’t understand why when it is to buy everything runs smoothly, but for cancelling the system is always unstable and the call drops out. It’s the fourth time the call drops out today.”

“Attention; boycott anti-flea (quotes brand). There’s been many cases of deaths of dogs who used this product and many others carry the adverse-effects, with heath problems. This medication is a poison and it’s offered without any orientation on pet shops.”

“(quotes brand), when will we have a collection free of toxic substances? We want fashion without pollution! #detox #fashion”

“You should more transparent and leave here orientations to consumers regarding the prohibition of Anvisa (FDA). Juice (quotes brand) never again!”

“Clothes from (quotes brand) are made with slave labor. Boycott!”

“People... (quotes brand) is disguising slave labor of their suppliers in Brazil. I’m out of this! (quotes brand) neve again!”

“Avoid buying from (quotes brand). Products are not delivered.”

“How about boycotting this brand? (quotes brand) made an advert saying: Homosexuals use and recommend our products. After all, every successful woman has a gay friend for recommending good stuff.”

The work of crisis management in companies has been expanding more and more to social networks. There comes the social media professionals, that among other tasks, are dedicated to answer posts that mention the company. However, those digital manifestations gain adapt rapidly and create a negative agenda for the company.

On the first survey and monitoring of these manifestations we highlight some learning:

- Consumers have been learning that social networks are a efficient place for manifestations, denounces and complains against companies, since they are answered and requests are granted with more agility and quality than those made on traditional channels (telephone, client service, ombudsman). That happens because, worrying about the brand’s reputation, companies have been investing in professionals dedicated to monitoring social networks. At large, these professional have a better qualification than those hired to deal with consumers on traditional channels.
- On a quantitative study made on three cases of digital activism (Arezzo, Zara and O Boticário), with the aim of outlining a profile of these activists, we could see that 70% of those who posted or shared something against these companies were not users or costumers of these brands. We are facing, then, a concept of consumer that is different from what is understood and practiced by companies, which consider as consumers those who have a commercial relationship with the brand. Takes place then, the citizen, that using its

role as consumer, complains and accuses companies. Those, that might never become costumers of a brand, must now be heard and granted in their claims.

- The empowerment of consumers as agent responsible and conscious over the economical and social wellbeing of the collectiveness, even though it has not been explicitly considered as a political power on the consumption sphere with impacts on public sphere, it has inspiring and motivating consumers to take on attitude of more surveillance and attention to the items they consume, whether it be on production processes, quality of inputs or consequences for the general wellbeing. This inspiration has been having little effect on buying behavior. Whether it's because it's not always possible to substitute a product or a brand (the original meaning of a boycott), or due to price or convenience still appreciated on buying relationships. But it's important to highlight that there is, among consumers, a feeling of awareness and demands over companies.
- Many cases of digital activism indeed created impact, from an answer or a reaction from the company. These are the examples of Zara, Arezzo and O Boticário, as already mentioned, but also of Brastemp and the retail store Dicico, that had videos made by consumers against these companies posted on social network Youtube.
- Companies still don't know precisely how to deal with these cases, for the following reasons: at large activists are not their costumers, therefore the impact on sales is not certain; there are new actions on new media; they fear that by attending those demands they will put too much power on consumers.
- A brand's reputation takes singular importance in the XXI century, regarding issues that until then the private sector wouldn't have considered: citizenship, sustainability, social responsibility, ethics, collective wellbeing.
- We are going from a consumption society to a consumer's society. These are the ones who take the stage, being accountable for consumerist impacts on the public sphere, being victimized as manipulated by companies. We are envisioning a time where the analytic view of consumption scholars must be open to the role of the consumer, for the conditions of their formation and their manifestations, different from one that we had, studies that would depart from the consumption or from the product consumed, with the aim to identify its meanings.

4. Citizen-Consumer: The Effort to Generate Scandals

Political consumerism can be understood as any kind of claim, movement or public manifestation or organized by entities or representative associations, which aim to balance forces between consumers and producers and, in a way, enforce the collective benefits and interests from the production process to the final consumption. At large, these movements are characterized by the use of boycotts or actions that use media to maculate and damage the image of a target company.

In a broader sense, when can understand political consumerism as how Michele Micheletti (2003, 1) presents us: the encounter between our public and private life through consumption. It's the engaged political exercise of consumption choosing power. Individuals use their role as consumers to act like citizens, making claims that, even if individuals will have impact for the collective wellbeing. Different issues can be embraced by political consumerism, as consumer protection, adjustments on product quality, on production processes, workforce exploitation, enhancing buying power, ethical values and environment, among others.

Social networks, as said before, allow a personal indignation to be exposed very quickly, almost simultaneously as the problem happens. And with the same agility it can gain supporters and engage people from different parts of the world (Gomes, 2011). At political consumerism, a suffering that seems individual is almost always the portrait of many.

The question we put here for reflection is: to what extent this kind of manifestation generate positive impacts for the collectiveness? It is understood that this impact occurs in different areas according to each case, as changes in the use of workforce, revision of substances used on production, price adjustments, wider access on credit, changes in commercial policies and in the dealt with consumers. Considering the most recent significant cases – Zara, Arezzo (previously described) and Ades – we were able to verify two important items: first, the dimension of the impact and then the conditions that favored this impact.

The impact of manifestations obtains positive changes for the collective of consumer and for society in general, when the denounced company changes its attitude or production process after denounce of consumers. A good example of this, is the juice brand Ades, produced by the British multinational Unilever, that had its sales prohibited in 15th March 2015 after social network denounces of 14 consumers that were intoxicated after the drinking the juice. From these denounces Unilever investigated recent batches and determined that there were indeed production problems that resulted in contaminating some units of the product. The company came to public and made a recall, collecting the latest batches of the product. The case made the agenda of main media vehicles and news of the country, going beyond press to television. In this scenario, ANVISA (Brazilian FDA) promoted an inspection and audit on Unilever, confirming the contamination on some units due to problems on maintenance and cleaning of some machines. The agency suspended the sales of 17 different flavors of the product, until the company gave assistance to those who suffered and repaired their losses. Only after 15 days the sales of the products were released, except the flavor that presented contamination.

In this case it was essential the role of media communication on promoting the scandal. As pointed by Vera Chaia and Marco Antônio Teixeira (2001) while analyzing political scandals, the role of media is essential for a problem to be disclosed “on a sphere that transcend the time and the space of its occurrence” (2001, 64). In the same way, Thompson (2000) determines that it is important, in the case of political exercise, that the occurrence takes a broad visibility.

Therefore, not every manifestation of attempt of boycott from consumers becomes a scandal, since as in the political sphere, it necessarily needs a following of the story: the denounce, the disclosure, the defense and its execution. When something becomes a scandal, the event is narrated in phases on a dramatic tone that resembles a soap opera, with chapters to be followed by the audience (Chaia & Teixeira, 2001).

At cyber activism those scandals are essentially media ones, since it reaches a transcendental dimension of time and space. Thereby a brand is often affected on its global reputation, with consequences for its value in the stock market. As shown by Chaia and Teixeira (2001) when analyzing political scandals, one of the consequences of a scandal “is the damage to individuals reputation, therefore this is a risk always present when a scandal arises” (64). Here there’s a parallel between political scandals and those scandals involving consumption: they both influence the choices of a citizen. In the case of politics this choice is made at the ballot box, through vote. In the case of consumption the choice is made at the moment of purchase, when a consumer may choose a brand over another due to a scandal.

An important aspect is the action of experts (as for Giddens), specialized professionals that hold the legitimacy of knowledge and practice to determine the truth of the misconducts that arouse in the scandal. In the case of Zara, federal police inspectors determined the irregular situation of workers; as for Arezzo episode, the IBAMA (Brazilian Institute of Environment and Natural Resource) and IPEN (Institute for Weights and Measures) confirmed the use of skin of animals at risk of extinction. The frequent and broad media coverage is responsible for generating relevance to those scandals. Absent

the combination of these agents, the problems described above would not have gained the configuration of a scandal, remaining limited to the individual sphere or the market extent.

5. Conclusions

The consumption can be a space for political exercise and expression of citizenship, but being consumers doesn't make us citizens. Also, not any claim or complain per se determinates a manifestation of citizenship.

The word citizenship is trivialized. Everybody talks about citizenship and urge us to act like citizens. When consumers complain and express themselves against a company, they soon explain that we must ensure our rights; after all, this is the role of a citizen. What kind of citizenship these consumers are talking about?

The digital political consumerism can be one of the strategies for the citizenship fight. But not always the dissatisfaction of consumers will lead to a transformation of society, but to more products and services, continuously renewed. This is the critic that Milton Santos (1992) makes to the citizen-consumer, showing that, in fact instead of a citizen there is a dissatisfied consumer, a user consumer, actually much more worried about adjustments of production processes and consumption patterns.

Citizenship and consumption do not walk separately. The market itself is politicized, once that companies, consumers and economy considerably influence the political path of a nation. Even when a choice has, for the eyes of a shopper, a single economical reason, it is always also political, since it brings power to the chosen one.

The modern consumer is a result of the fight of consumers for their rights, access and from the exercise of choosing. As consumers we are destined to complain. The issue is how society deals with conflict. Conflict is inevitable and involves crisis. But this crisis can be a motivation for consciousness and transformation, not of capitalism into another system, but of capitalism itself, to a probably less cruel one. In this regard, crisis is welcomed: after all, where there's no crisis there's no life.

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Local Governance and the Political Sociology of Ethical Marketplaces in Great Britain

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Abstract

The 'greening of markets' is taking place world-wide in response to the global ecological crisis (Kotchen, 2006; Krosinsky & Robins, 2008). But, the distribution of such markets is far from even or universal. One of the least understood aspects of these changes is the emergence of local 'ethical marketplaces' and the sub-set of alternative business models that are described as 'ethical businesses' (Henderson, 2006; Gibson-Graham, 2008). As such, the current research emerged out of asking the naïve question: what is the geographical and political distribution of ethical enterprises across the UK space?

The current paper represents one of first examinations of the distribution of UK ethical enterprises. It involves multiple regression mapping of one of the UK's most extensive directories of ethical businesses (Ethical Junction) against a range of indices, drawn from ONS data-sets. Building on critical theories of business clustering (Porter, 1998; Martin & Sunley, 2003; Ashelm, Cooke & Martin, 2006), we formulated the hypothesis that ethical enterprises operate within the context of a more radical social and political network culture, dominated by 'radical centre', green and liberal ideologies.

The resulting analysis indicates a strong positive correlation between the clustering of ethical businesses and the strength of 'third party' local governance in a number of UK towns and city-regions. In turn, these reflect favorable political, economic and class relations, encourage the sharing of social, cultural, political and symbolic capital within local networks. These findings raise important issues for understanding the connections between social formations, marketplace changes and the turbidity of 'green politics', in respect of local governance, in Britain.

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The Evolutionary Processes in the Introduction of the New Organizational Forms

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Abstract

In this paper, we examined organizational legitimacy as the acceptance of an organization by its environment. The study provided initial support for the evolutionary processes that underlie the introduction of new organizational forms. Various stages of organizational form evolution were characterized by differing levels of organizational legitimacy and environmental uncertainty, as well as by different marginal effects of legitimacy on performance.

Keywords

Institutional theory, organizational legitimacy, entrepreneurship, new organizational forms

1. Introduction

The emergence of new organizations and populations of organizations has been conceptualized and examined from various perspectives due to its great significance for macroeconomic growth and development (Gartner, 1985; Hisrich, 1988; Shaver & Scott, 1991; Aldrich, 1999; van Beers, 2008). An increased focus on the factors of firm survival and performance differences among firms has shifted the initial research interest from the individual to the organizational level of analysis. At the same time, researchers have attributed greater importance to the questions of context in which entrepreneurial activity occurs (Gnyawali & Fogel, 1994; Venkataraman & Van de Ven, 1998). The combination of both shifts brought attention to the issues in entrepreneurship traditionally explored by institutional theory such as organizational legitimacy, mutual socialization of participants in emerging organizations and industries, isomorphism and others (Singh, Tucker & House, 1986; Aldrich, 1999; Dimov, 2010).

One of the key questions that can be examined at the intersection of entrepreneurship and institutionalization research is whether the internal (organizational) or external (institutional) factors and processes are more critical for new venture survival and performance. Previous work has shown that external legitimacy processes more prominently underlie the liability of newness than internal coordination processes (Singh, Tucker & House, 1986). However, subsequent entrepreneurship research has not reflected this finding in terms of proportionally larger interest in the effects of institutionalization factors. Recent empirical work still predominantly falls in the domain of internal organizational factors and processes; while the questions of legitimacy of new organizations remain largely unexplored. One possible explanation is that studies of institutionalization processes have to employ complex research designs that examine a particular set of organizations simultaneously through lenses of internal and external actors.

Institutionalization issues have important practical implications for emerging organizations. Social actors (such as consumers, workers, and investors) have the choice of dealing with a particular organization based on their evaluations of organization's legitimacy and its activities. New ventures have to convince consumers that they can provide them with better products or services than the established firms. Similarly, workers can seek employment and investors can invest in large well-known organizations instead of engaging with new startups. Perceptions of external actors about the viability of a new venture have significant impact on their decision and on the organization's likelihood of survival.

2. Hypotheses

In this study, I've set out to examine the changes in legitimacy effects during the stages of the evolution of organizational form. Previous authors have clearly identified three stages of industry evolution: 1) the emergent stage; 2) the growth stage; and 3) the mature stage (Low & Abrahamson, 1997). They argued that the basic S-shaped pattern of population growth rate can be explained by the joint effects of legitimacy and competition; however, they did not empirically explore the operation of these effects. I will advance the research on industry evolution by identifying the differences in relationships among the main constructs in the study through different stages of industry evolution and would like to shed some light on the following question: "What are the relationships among organizational capabilities, organizational legitimacy, organizational performance, and environmental volatility during different stages of industry evolution"?

Many factors come into play as an industry emerges, grows and matures (Klepper & Graddy, 1990; Christensen, Suarez & Utterback, 1998); however, I will focus on the interplay of legitimacy and environmental factors in the examination of evolutionary processes (largely based on the framework developed by Low and Abrahamson, 1997).

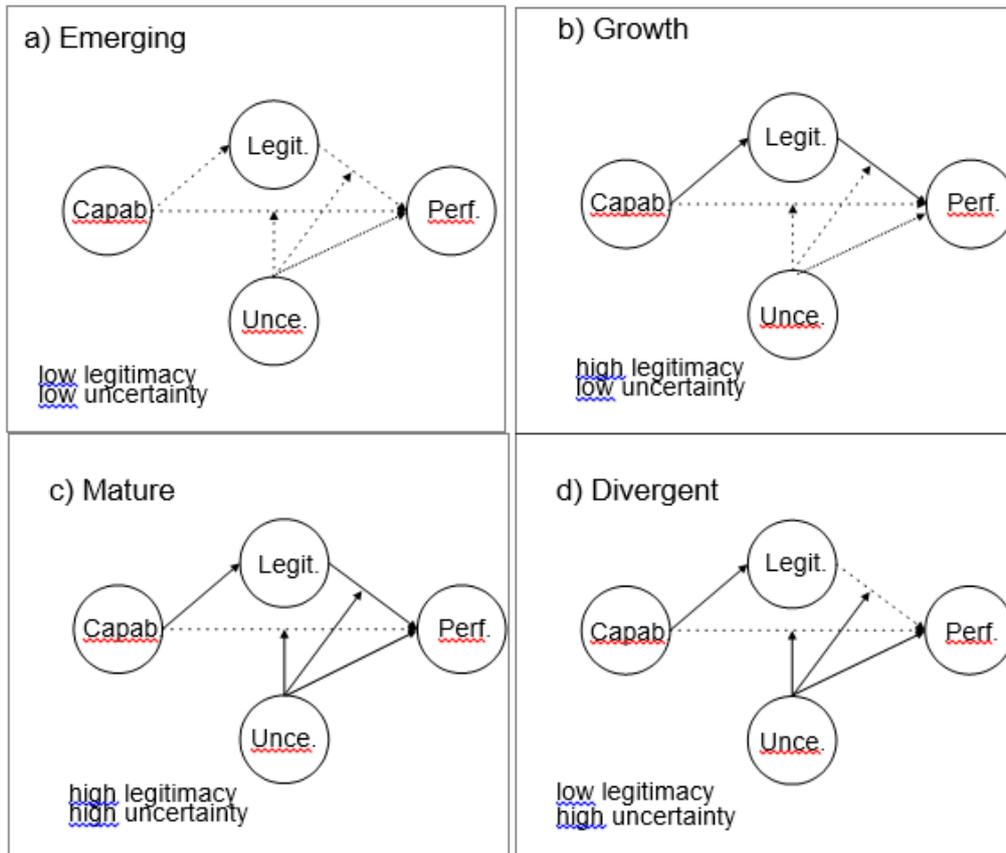
The question of legitimacy is particularly problematic in emerging industries, where operations are technically problematic and organizational forms are fluid (Aldrich & Fiol, 1994). In any emerging industry there are no clear standards by which to measure firm performance and no clear models of operation by which to judge the firm's methods. Pioneering firms introduce radical product or process innovations and set the industry standards by creating new leading technologies (Ali, 1994). The effects of legitimacy and competitive environment are low (see Figure 1 -- section a). For example, an Internet entrepreneur who wanted to raise capital for his venture prior to 1990 would not only be required to describe a particular venture, but also the idea of the Internet itself (Deeds, Mang & Frandsen, 2004). Pioneering entrepreneurs have to engage in legitimacy-building activities to convince external actors about the viability of the new venture. Pioneering can be risky as it requires large investments in R&D, market development, and customer education (Zahra, 1996), and it may fail to bring satisfactory returns to the first-mover entrepreneurs. Founding rates are low; growth of total value created is low.

When an industry reaches a growing stage, there is still little competition (or more broadly, we can talk about relatively low environmental uncertainty because of low competition). However, the organizational form gains legitimacy (see Figure 1 -- section b). As individual firms in an industry achieve some measure of regulatory acceptance, increasing and more positive coverage by the press and increasing investment of public resources into the industry, the overall industry's legitimacy rises which in turn increases the legitimacy of all the firms in the industry (Deeds, et al., 2004). Growing legitimacy causes sharply higher founding rates and lower failure rates, leading to a rapid growth of a population and total value created in an industry (boom effect). Under the assumption that the environmental conditions remain similar (low uncertainty/low competition environment), I expect that the triggering event for the transition between the early stage and the growth stage of organizational form evolution comes from legitimacy factors.

In the third, mature stage, competition dramatically increases. Founding rates fall, and failure rates increase, resulting in a population of relatively stable size, where total value created grows very slowly (see Figure 1 -- section c). I will search for the triggering event for the transition between growth and mature stages among the environmental factors: the increased competition sets off the increased environmental uncertainty. In certain cases, however, legitimacy can decrease (see Figure 1 -- section d – divergent stage of the evolution of organizational form). If there have been recent regulatory failures or a decrease in the coverage of the industry by the press, then the legitimacy of the industry will decrease (Deeds et al., 2004) with subsequent negative effects on the population growth and total value created (bust effect). Therefore, a number of hypotheses will be tested:

- H1. The level of organizational legitimacy increases in the growth stage and is reduced in the divergent stage of the evolution of the organizational form.
- H2. The level of environmental uncertainty increases through the stages of the evolution of the organizational form.
- H3a. The marginal effect of legitimacy on performance increases between emerging and growth stages of the evolution of the organizational form.
- H3b. The marginal effect of legitimacy on performance decreases between growth and divergent stages of the evolution of the organizational form.

Figure 1: The Stages of the Evolution of the Organizational Form



3. Methodology

The model was examined in the sample of 447 emerging Internet companies that became publicly traded on NASDAQ in the period 1996 to 2001. The primary source of data was the multi-person coding of prospectuses of publicly traded Internet companies. The additional sources were: Lexis Nexis for press releases about each venture, COMPUSTAT, CRSP and CORPTECH for firm's financial information, www.freedgar.com, companies' web sites and others. We collected data on several variables to estimate the parameters of the multiple regression, survival and path models (see Appendix A for a list of variables).

Two variables were used to measure organizational legitimacy. The first one is the coefficient of media endorsement (Deephouse, 1996). We followed Deephouse's procedure for selecting and coding the news articles about Internet companies, which enabled us to calculate the relative proportions of endorsing and challenging recording units for each company. We collected all the news articles, editorials, and columns about each of the companies in the year prior to its IPO from the Lexis-Nexis database. 6140 recording units were found as endorsing and 394 as challenging the legitimacy of the companies in our sample. Deephouse (1996) used the following formula to calculate the coefficient of media endorsement:

$$\text{Coefficient of media endorsement} = \begin{cases} \frac{(e^2 - ec)}{t^2} & \text{if } e > c, \\ \frac{(ec - c^2)}{t^2} & \text{if } c > e, \\ 0 & \text{if } e = c, \end{cases}$$

where e = number of endorsing recording units in a given year, c = number of challenging recording units in a given year, and $t = e + c$. A useful feature of this coefficient is that it amplifies the effects of challenging recording units, which are rather infrequent in reality. However, the problem with this coefficient is that it gives the same value of 1 to all companies that had no challenging recording units (no matter if there were hundreds of endorsing recording units or just one). A coefficient measuring levels of media endorsement should incorporate the effect of the different number of recording units, which is accomplished with the following (modified) coefficient of media endorsement (OLEGITN):

$$\text{Modified coefficient of media endorsement} = \frac{(e - 0.5)}{e + c}$$

The correlation coefficient between the original and modified coefficients of media endorsement is positive and moderately high (0.698); similar to inter-item reliability (Cronbach $\alpha = 0.735$).

The second item measuring organizational legitimacy is a variable of legal actions against a company (reverse item). It looks at all publicized legal actions against a company in the one-year period prior to the IPO. The main sources for data on this variable are Lexis-Nexis database and IPO prospectuses. The number of such legal actions is captured in OLEGIT4.

I collected the data on several variables to capture the economic performance of the firm. The first variable of performance is the ratio of the first day closing stock price to the initial offering price (PERF1A). The stock prices of public companies reflect the expected returns of firms and are therefore a good proxy for the performance of firms. Based on the theory of rational expectations, investors may incorporate future earnings into the beginning stock price of a new venture (Shaw, 1987). The data on the IPO date and stock prices were collected from CRSP database (and verified in the NASDAQ archival data for each stock).

I also gathered the data on some more traditional variables of financial performance. The variables of profit/loss in a year after the IPO and the sales growth for a number of annual periods following the IPO were dropped from the subsequent analysis, because the independent variables only explained nonsignificant portions of variability in these dependent variables. The reasons for such unexplained variability of profitability and growth can be found in the specific conditions of the period, which can be characterized as the gold rush of the Internet era. Companies spent incredible amounts of money trying to secure a certain position in a market (with detrimental effects on their profitability), however the growth of demand for their products and services followed only slowly. For the companies that went public in 2001, I only had reliable information on their sales in years 2001 and 2002. Also, for many other companies that went public in years prior to 2001, there were not enough data points to calculate meaningful growth indices. This task will be left for future updates of this study. The source for these variables was the COMPUSTAT database.

Technological capability was measured with variables of innovativeness of technology, technological complexity, and standard setting. Marketing capability was measured by the average number of years of industry related work experience of top marketing executive of the company (CAPA05), by his/her number of years of Internet related experience (CAPA06), by multi-person evaluation of the recognizability of company's brand (CAPA07 – inter-rater reliability = 0.925), and by the number of registered trademarks/servicemarks (CAPA08). Managerial capability was measured by the number of years of industry related experience of the CEO (CAPA10), by the number of years of his/her Internet related experience (CAPA11), by the number of previous firm foundings (entrepreneurial experience) of the members of the managerial team (CAPA12), and by the number of PhDs in the managerial team (CAPA13). A dummy variable was created in which ones and zeros were assigned to

companies whether they were leaders in an industry or not (CAPA09). The issues of control of the company were captured with variables measuring the reduction of internal ownership share in the initial public offering (CAPA14) and the ownership share retained by the executives and the members of the board of directors after the initial public offering (CAPA15). Several variables were included in the measurement of networking capabilities. The proportion of external members in the board of directors (CAPA20) is an unusual indicator of social capital. It reflects the situation in Internet companies, where many use internal members to serve as members of boards of directors. The ability of an Internet company to attract external actors to serve as members of BoDs is therefore a valid measure of networking capability of a company. Other measures captured the number of members of BoD (CAPA16), the number of external members of BoD (CAPA17), the number of lead managers of the underwriting syndicate (CAPA18), and the size of a syndicate of investment banks (CAPA19). All the data for capabilities measures were collected from IPO prospectuses (all variables are shown in Appendix A).

I operationalized the construct of environmental uncertainty with a number of objective measures developed by Tosi, Aldag, and Storey (1973). The measures used are as follows: the coefficient of variation of sales within industry group (sales volatility), the coefficient of variation of the ratio of the sum of R&D and capital expenses to total assets within the industry group (technological volatility), and the coefficient of variation of earnings before interest and taxes within industry group (overall environmental volatility). Several control variables were included in the model, such as age at IPO, size at IPO, Internet type (B2B, B2C, and other types of Internet companies), Internet class (infrastructure, applications infrastructure, intermediaries, and commerce), and a period in which a firm went public.

3.1. Data analysis

The sample of companies spanned over a period that exhibited interesting dynamics in the development of Internet based entrepreneurial venture as a distinct organizational form. I previously identified three periods/stages that were characterized by noticeably different patterns of IPO activity of Internet firms. There were 97 companies (23.7% of the sample) that went public prior to 1999. From January 1999 to March 15 2000, 271 companies (66.1%) reached this milestone. Only 42 (10.2%) Internet related companies went public in the period from March 16, 2000 to December 31, 2001. The regression analysis of each subset of companies provided interesting results. It is important to note that samples from the first and the third period did not satisfy the criteria for the minimum number of observations per variable for multiple regression analysis.

4. Results

Surprisingly, all three models are statistically significant (see F values and their significance in Table 1). Models M_{period1} and M_{period2} explain similar amounts of variance in the dependent variable (48%); however, M_{period1} has a much worse adjusted R^2 (22.1%) than M_{period2} (41.6%). Adjusted R^2 corrects R^2 by assessing a degrees-of-freedom penalty and is therefore affected by sample size. Much smaller adjusted R^2 compared to R^2 is one of the indicators of overfitting the variate to the sample. Another indicator of overfitting is unrealistically high R^2 (M_{period3} : $R^2 = 91.2\%$). The ratio of observations to variables in period 3 is only 1.3, which is far below the minimum ratio of 5 to 1. In the following text, only the results for periods 1 and 2 are described as their samples are marginally appropriate for the regression analysis.

Table 1: Regression Models for Periods 1, 2, and 3

Variables	M _{P1}		M _{P2}		M _{P3}	
	β	Sig.	β	Sig.	β	Sig.
(Constant)	-0.302	0.000	0.130	0.017	-0.287	0.090
ZCAPA01	0.062	0.565	-0.033	0.667	0.172	0.545
ZCAPA02	-0.088	0.287	0.292	0.001	0.112	0.584
ZCAPA03	0.046	0.590	0.155	0.017	-0.578	0.204
ZCAPA04 ¹	-0.031	0.603	0.055	0.367		
ZCAPA05	-0.047	0.390	-0.025	0.698	-0.362	0.068
ZCAPA06	-0.006	0.940	-0.033	0.636	-0.006	0.968
ZCAPA07	0.156	0.033	0.171	0.004	0.113	0.691
ZCAPA08	-0.056	0.381	0.039	0.493	0.177	0.167
ZCAPA09	0.145	0.028	0.313	0.000	0.005	0.971
ZCAPA10	-0.131	0.103	-0.170	0.010	0.473	0.124
ZCAPA11	0.094	0.267	0.119	0.104	0.013	0.964
ZCAPA12	0.116	0.054	-0.029	0.574	-0.314	0.033
ZCAPA13	0.039	0.566	0.132	0.010	0.101	0.689
ZCAPA14	-0.030	0.632	-0.143	0.035	-0.677	0.062
ZCAPA15	0.116	0.152	0.103	0.079	0.072	0.627
ZCAPA16	0.037	0.539	-0.106	0.066	-0.149	0.361
ZCAPA18	0.149	0.083	0.001	0.987	0.061	0.812
ZCAPA19	-0.102	0.107	-0.105	0.074	-0.124	0.278
ZCAPA20	-0.074	0.233	0.043	0.431	0.226	0.075
ZOLEGITN	0.058	0.288	0.305	0.000	0.701	0.135
ZOLEGIT4	-0.062	0.172	0.006	0.929	0.175	0.171
ZECOSALE1	0.024	0.700	0.082	0.308	-0.049	0.864
ZECOTECH1	0.088	0.213	-0.031	0.729	-0.145	0.732
ZID05A	0.003	0.968	0.015	0.801	0.155	0.301
ZSFREVEN	-0.091	0.193	-0.080	0.185	0.057	0.717
ZV01R1	0.084	0.246	0.216	0.002	0.189	0.332
ZV01R2	0.101	0.206	0.071	0.256	0.241	0.153
ZV03R1	0.156	0.176	0.053	0.482	-0.408	0.227
ZV03R2	0.179	0.112	-0.106	0.174	-0.438	0.182
ZV03R3	0.056	0.542	-0.038	0.568	-0.615	0.146
INTERA3	-0.002	0.964	0.205	0.022	-0.853	0.120
INTERA4	0.006	0.843	-0.133	0.148	0.795	0.121
N	97		271		42	
R	0.693		0.697		0.955	
R ²	0.480		0.486		0.912	
Adj. R ²	0.221		0.416		0.640	
F	1.849		7.022		3.350	
Sig.	0.019		0.000		0.024	

In the first period (also labeled emerging stage), no effect of organizational legitimacy on performance was observed (ZOLEGITN: $\beta_{P1} = 0.058$, sig. = 0.288). This result is in line with the expectations from an evolutionary perspective. Organizational legitimacy is low during the emerging stage of organizational form evolution as the entrepreneurs still have to convince external actors about the viability of the new form. Another interesting finding is that the effect of previous

¹ There were no companies in the third period that could be considered as the companies that are setting technical standards in their industry groups.

entrepreneurial experience is positive and marginally significant (ZCAPA12: $\beta_{p1} = 0.116$, sig. = 0.054). Entrepreneurial experience is most valuable in the period of emerging organizational form, because this is the period that requires the greatest innovativeness, proactiveness, and risk taking ability of individuals undertaking such ventures. Overall, companies that went public in the first period faced significantly lower underpricing than companies going through IPOs in other periods (Constant: $\alpha_{p1} = 0.302$, sig. = 0.000).

The results of the regression analysis for the second period (growth stage) largely coincide with results for the complete sample. Organizational legitimacy has a strong and positive effect on performance (ZOLEGITN: $\beta_{p2} = 0.305$, sig. = 0.000), just as originally hypothesized for the growth stage of the organizational form evolution. The main effect of sales volatility is nonsignificant in both emerging and growth stages; however, the synergistic interaction between organizational legitimacy and sales volatility is strong and significant (INTERA3: $\beta_{p2} = 0.205$, sig. = 0.022).

Due to an inadequate sample size in the third period, a simpler analysis was needed to estimate the changes in levels of organizational legitimacy (ZOLEGITN) and environmental uncertainty (ZECOSALE) in different stages of organizational form evolution. A multivariate analysis of variance was used to test the mean differences among the three periods on a combination of ZOLEGITN and ZECOSALE variables. The mean values of variables, shown in Table 2, provide some evidence of differences over three periods. Table 3 provides the results of Levene’s test for the homogeneity of variance. The assumption of homogeneity of variance in three periods is violated for ZOLEGITN ($\alpha < 0.05$). The results in Table 4 show that there are significant differences among the three periods on both variables (ZOLEGITN: $F = 3.3$, sig. = 0.037; ZECOSALE: $F = 11.3$, sig. = 0.000). Figure 2 shows the changes of mean values in the three observed periods, which are in the expected direction.

Table 2: Descriptives for MANOVA Analysis

		N	Mean	Std. Deviation	Std. Error	Minimum	Maximum
ZOLEGITN	1	97	-0.205	1.213	0.123	-5.632	0.950
	2	271	0.087	0.892	0.054	-4.516	0.967
	3	42	-0.109	1.088	0.168	-4.516	0.817
	Total	410	-0.002	1.003	0.050	-5.632	0.967
ZECOSALE	1	97	-0.407	1.143	0.116	-2.789	4.763
	2	271	0.118	0.940	0.057	-2.322	3.037
	3	42	0.196	0.770	0.119	-2.779	0.975
	Total	410	0.002	1.001	0.049	-2.789	4.763

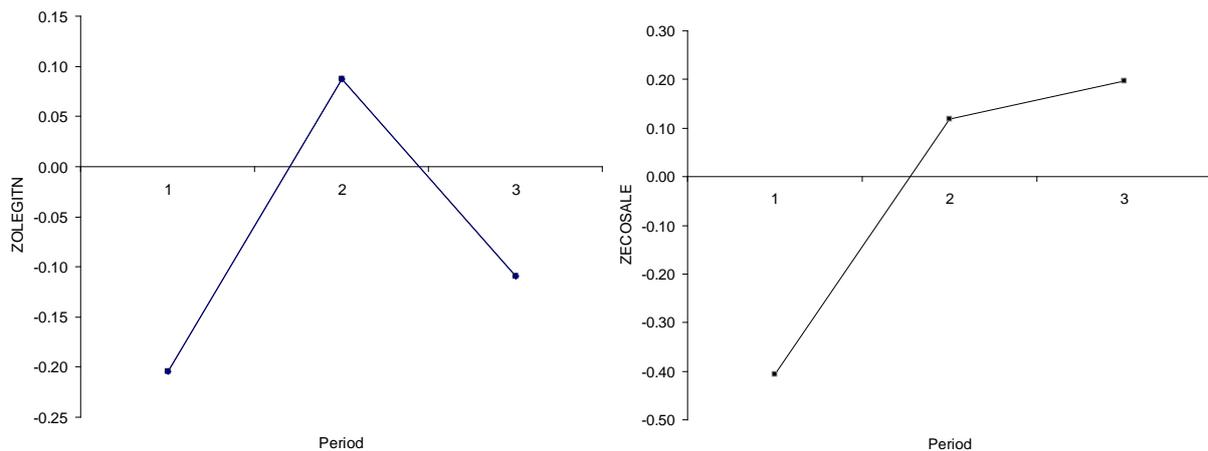
Table 3: Test of Homogeneity of Variances

	Levene Statistic	df1	df2	Sig.
ZOLEGITN	3.261	2	407	0.039
ZECOSALE	1.266	2	407	0.283

Table 4: MANOVA Results

		Sum of Squares	df	Mean Square	F	Sig.
ZOLEGITN	Between Groups	6.6	2	3.304	3.325	0.037
	Within Groups	404.5	407	0.994		
	Total	411.1	409			
ZECOSALE	Between Groups	21.5	2	10.748	11.260	0.000
	Within Groups	388.5	407	0.955		
	Total	410.0	409			

Figure 2: Mean Values for ZOLEGITN and ZECOSALE in Three Different Periods



5. Discussion and Conclusion

Initial analysis provided support for the propositions about the changing effects of legitimacy and environmental uncertainty through the stages of organizational form evolution. The levels of organizational legitimacy increase between the emerging and growth stages, whereas these levels decrease between the growth and divergent stages. The differences among levels of legitimacy across different stages of organizational form evolution are statistically significant. These statistically significant differences were also found for the levels of sales volatility. These levels steadily increased through the stages of organizational form evolution. Additionally, the proposition was confirmed regarding an increase in the marginal effect of legitimacy on performance between the emerging and growth stages. On the other hand, due to a small sample size (N=42) in the divergent stage, the proposition of the decrease of this effect between growth and divergent stages could not be tested. One interesting finding in terms of individual effects was that previous entrepreneurial experience had a significant and positive effect on performance in the emerging stage, but not in the growth stage of organizational form evolution.

Table 5: Hypotheses Summary

H1	The level of organizational legitimacy increases in the growth stage and is reduced in the divergent stage of the evolution of the organizational form.	Supported. Statistically significant differences of legitimacy levels were found among different stages of organizational form evolution (see Tables 2-4, and Figure 2).
H2	The level of environmental uncertainty increases through the stages of the evolution of the organizational form.	Supported. Differences in levels of uncertainty through stages of organizational form evolution were significant (see Tables 2-4, and Figure 2).
3a	The marginal effect of legitimacy on performance increases between the emerging and growth stages of the evolution of the organizational form.	Supported. The effect of legitimacy on performance is not significant in the emerging stage; however, it is strong and positive in the growth stage of organizational form evolution (see Table 1).
3b	The marginal effect of legitimacy on performance decreases between the growth and divergent stages of the evolution of the organizational form.	Not tested. Supporting the hypothesis, the effect of legitimacy on performance becomes nonsignificant in the divergent stage of organizational form evolution; however, there were not enough observations (N = 42) in the divergent stage for meaningful analysis.

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Appendix A: Variable Names

Variable description	Label - Raw data	Label - Zscores	Label - EQS
Percentage point spread between the closing price and IPO price	PERF1A	ZPERF1A	V36
Patents received	CAPA01	ZCAPA01	V1
Patent applications	CAPA02	ZCAPA02	V2
Technological complexity	CAPA03	ZCAPA03	V3
Standard setting	CAPA04	ZCAPA04	V4
Years of industry related experience of CMO	CAPA05	ZCAPA05	V5
Years of Internet related experience of CMO	CAPA06	ZCAPA06	V6
Recognizable brand	CAPA07	ZCAPA07	V7
Trademark/service mark protection	CAPA08	ZCAPA08	V8
Industry leader	CAPA09	ZCAPA09	V9
Years of industry related experience of CEO	CAPA10	ZCAPA10	V10
Years of Internet related experience of CEO	CAPA11	ZCAPA11	V11
Previous entrepreneurial experience	CAPA12	ZCAPA12	V12
PhDs among MANACA3	CAPA13	ZCAPA13	V13
Ownership 2 -4	CAPA14	ZCAPA14	V14
Ownership of BOD and Executives after IPO	CAPA15	ZCAPA15	V15
Board of directors (No.)	CAPA16	ZCAPA16	V16
External members of BoD (No.)	CAPA17	ZCAPA17	V17
Lead managers (No.)	CAPA18	ZCAPA18	V18
Size of a syndicate of investment banks (No.)	CAPA19	ZCAPA19	V19
Portion of external BoD members	CAPA20	ZCAPA20	V20
Coefficient of media endorsement	OLEGITN	ZOLEGITN	V21
Legal actions against company (No.)	OLEGIT4	ZOLEGIT4	V22
Sales volatility	ECOSALE1	ZECOSALE	V23
Technological volatility	ECOTECH1	ZECOTECH	V24
Age at IPO (Time from formation) - months	ID05A	ZID05A	V25
SQRT of Revenue (year -1)	SFREVEN1	ZSFREVEN	V26
Dummy for v01 B2B	V01R1	ZV01R1	V27
Dummy for v01 B2C	V01R2	ZV01R2	V28
Dummy for v03 internet hardware infrastructure	V03R1	ZV03R1	V29
Dummy for v03 internet applications infrastructure	V03R2	ZV03R2	V30
Dummy for v03 internet intermediaries	V03R3	ZV03R3	V31
Dummy for id04b period=2	ID04BD1	ZID04BD1	V32
Dummy for id04b period=3	ID04BD2	ZID04BD2	V33
Time from formation to delisting - months	ID05D		
Interaction between OLEGITN and ECOSALE1	INTERA1		
Interaction between OLEGITN and ECOTECH1	INTERA2		
Interaction between ZOLEGITN and ZECOSALE	INTERA3		V34
Interaction between ZOLEGITN and ZECOTECH	INTERA4		V35

An Integrated Model for Measuring Country Image: Personality, Cognition, Emotion and Their Influence on Behavioral Intentions

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Abstract

The current paper aims to investigate the role of country personality in conjunction with cognitive and affective components of the country image and their impacts on behavioral intentions. Theoretically grounded on country of origin and destination branding literature, the study hypothesizes that cognitive country image and country personality are antecedents of affective country image, which in turn affects consumers' behavioral intentions towards a scrutinized country. Cognitive country image is also hypothesized as having a direct influence on the dependent variable. A quota sample of 685 valid responses from Brazilians of São Paulo and Bahia states was analyzed. Portugal was chosen as the scrutinized country and the questionnaire was delivered in Portuguese for Brazilians. Structural equation modeling suggests that country personality dimensions have no direct effect on behavioral intentions, when affective country image is in the model. Therefore, affective country image is a full mediator between country personality dimensions and behavioral intentions to visit. This study contributed to consumer behavior literature particularly that on behavioral intentions, country of origin and branding destination literature, as it examined an alternative theoretical explanation focusing on cognition, emotion and the human-like characteristics of a country. Moreover, according to the respondents' evaluation, it can be said that Portugal is mostly seen by Brazilians from São Paulo and Bahia states as a country with a lot of history, culture and arts, with attractive scenery and high quality attractions and it is seen as a conformist country. However, the affective component of the image of Portugal is assessed as very positive.

Keywords

Country personality, behavioral intentions, country image, Portugal, Brazil

Modeling the Longitudinal Effects of Social Responsibility on Earning Outcomes using Autoregressive Latent Trajectory (ALT) Models

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Abstract

Evidence supporting the positive effects of social responsibility on organizational outcomes has been well documented in the literature (for example: Colwell & Joshi, 2011; Bansal & Clelland, 2004; Waddock & Graves, 1997). Since the devastating economic crisis of 2008, academics around the globe have been proposing and testing new theoretical frameworks and extensions to clarify how firms have responded to this crisis over time with respects to their governance, social, and environmental behavior. The task of conducting such inquiry requires researchers to not only critically analyze existing theory, but also to consider newer analytical techniques for answering the increasing more complex research questions that follow. Understanding how alternative analytical techniques can be applied to specific research questions is an important part of the process of theory development (Zyphur, 2009).

The analysis of longitudinal data provides researchers with unique opportunity to model the structural effects of time on the relationship between organizational actions and outcomes. In this paper, we utilize data from the Sustainalytics ESG responsible investment database to demonstrate how Bollen and Curran's (2004, 2006) autoregressive latent trajectory approach can be used to model the individual effects of firm governance, social, and environmental behavior on firm earnings across five time periods (2009-2013). More specifically, we show how this method, which combines the autoregressive cross-lagged (ARCL) model and the latent curve model (LCM), can be used to estimate random intercepts, random slopes and cross lagged effects (Bollen & Curran, 2004, 2006; Curran, Howard, Bainter, Lane, & McGinley, 2013) while simultaneously modeling important mediators and moderators (Selig & Preacher, 2009). We demonstrate this analytical approach using both Mplus (Muthèn & Muthèn, 2012) and R (R Core Team, 2013) and provide options for handling missing data. Our goal with this paper is to provide substantive researchers with an understanding of how the ALT approach may assist them in developing and testing new theoretical models.

Keywords

Analytical techniques, ALT model, longitudinal effects, social responsibility, theory testing

Celebrities Endorsement and the Purchase Intention of Brands Associated With Labor Exploitation

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Abstract

This work aims to check if the endorsement of celebrities affects the purchase intention of sporting goods, considering the image of brands that are associated with the exploiting labor. A factorial experiment was carried out with 269 Brazilian consumers. It was found that the intention to buy sporting goods does not depend on the brand association with a celebrity or with the exploiting labor, but it is impacted by involvement with the product and the prestige of the brand. This result creates a series of investigations into the corporate social responsibility of companies and the role of the consumer.

Keywords

Sports, celebrities, endorsement, exploiting labor, purchase intention

The Impact of Mergers and Acquisitions on Innovation

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Abstract

I analyze the impact of acquisitions on corporate innovation in a high-technology industry employing the fixed effects negative binomial modeling approach. Consistent with the efficiency gains argument, I find that merging firms generate more useful knowledge at a lower cost after the merger. Further, mergers involving a large and a small firm, compared to any other combination, produce the highest number, as well as the most widely cited set, of patents. Finally, among merging firms, complementarity of ex-ante innovative agendas fosters a higher level of innovation after the merger. These results are suggestive that an important channel of efficiency gains in innovation after the merger is through easing of financial constraints in target firms. Results are economically large and robust to numerous sensitivity checks.

Keywords

Mergers and acquisitions, innovation, financial constraints, efficiency gains

High-Growth versus Declining Firms: The Differential Impact of Human Capital and R&D

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Abstract

We provide evidence that both human capital and R&D increase the likelihood that a firm will be a high-growth firm in the industry. However, different from human capital, being an R&D active firm also increases the probability of substantial decline or failure, underscoring the risky nature of innovation. Quantile regression results show that, different from R&D, human capital is growth enhancing for all firms, hence also those located in the lower quantiles of the distribution of growth rates across firms.

Keywords

Firm growth, high-growth firms, R&D, human capital, quantile regression

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Corporate Governance in Turbulent Times

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Abstract

In crisis situations, the perspective of internal and external principles and mechanisms of corporate governance is becoming essential as it helps adopt adequate tools to adjust to variable conditions of operation. The principal aim of this study is to verify the principles of corporate governance in the context of instability caused by turbulent surroundings of the enterprise. The empirical part, which included the period of 2007-2014, was presented in the form of case studies of five enterprises listed in the Warsaw Stock Exchange in Poland and numbered among the most liquid and the biggest companies. The study compares the scope and type of the principles of corporate governance used in the context of variability of external conditions caused by a financial crisis.

Keywords

Corporate governance, financial crisis, turbulent environment, Warsaw Stock Exchange

1. Introduction

Contemporary enterprises do not operate as entities isolated from their surroundings. On the contrary, they are strongly dependent on their environment and connected with the external area through numerous interactions. Nowadays, turbulent and dynamically changing business environment have become natural conditions for business entities. In order to compete, develop and to survive in the contemporary market, business entities have to quickly respond to the changes that occur. This leads to a pressure on verification of assumptions, processes, decisions or strategies concerning both external and internal aspects of enterprise operation. One of the most substantial factors behind maintaining the balance in the unpredictable environment is properly formed corporate governance in the entity. Its role is particularly important in light of more complex relations occurring within a system, organization or a region. Therefore, it can be indicated that, in crisis situations, the perspective of internal and external principles and mechanisms of corporate governance is becoming essential as it helps adopt adequate tools to adjust to variable conditions of operation.

The principal aim of this study is to verify the principles of corporate governance in the context of instability caused by turbulent surroundings of the enterprise. The research problem was focused on the assumption that under crisis situations, enterprises show increased determination in terms of using the principles of corporate governance.

The empirical part, which included the period of 2007-2014, was presented in the form of case studies of five enterprises listed in the Warsaw Stock Exchange and numbered among the most liquid and the biggest companies. The analysis was carried out based on the data contained in the reports prepared by the boards of directors in joint-stock companies. The year 2007 was adopted as a beginning year for the research sample because it was considered as a point when first symptoms of financial crisis with global character were observed. The study compares the scope and type of the principles of corporate governance used in the context of variability of external conditions caused by a financial crisis.

2. Turbulences in Enterprise Environment

The term 'organization' implies that there is some sort of structure and order to the way things are done, and definitions often centre on the idea that organizations are entities in which individuals coordinate their actions to achieve specific goals (Hatch & Cunliffe, 2012). An organization can be defined and analyzed as an organized system composed of mutually interrelated parts (subsystems), which, on the one hand, is influenced by the environment, and, on the other hand, is able to form the environment. This approach to an organization clearly points to delineation of its boundaries. Therefore, organizations have both the interior parts and surroundings. The concept of the organization's environment was popularized by the cybernetics and the concept of systematic management (Sudoł, 2011). The environment occupies a central analytical position in the organizational theory. Most definitions of organizational or business environments in the literature have been based on the work of Duncan (1972), who defines the environment as all of the relevant factors outside an organization's boundary that are incorporated into its decision-making. A general definition of the organization's environment was provided by Hatch and Cunliffe (2012), who found that an organization means an entity with its own boundaries. A more specific definition of the organization's environment was presented by Bielski (1997), who argued that the environment of the system is formed by the elements which, although not included in the system, are interrelated. The most popular approach to the organization's environment in the literature is Porter's point of view. Porter (2008) identified five major forces in the environment which can define the competitive nature of organizations, namely the bargaining power of buyers and sellers, the threat of new entries and substitutes in the market, and the level of rivalry in the industry. However, what is important for

the relation between organization and environment is the change in perception of the organization. At the initial stage of development of sciences about organization and management, enterprise's environment was ignored and regarded as insignificant or considered as stable (Otola, 2013). The lack of stability in the environment has been emphasized since the 70s of the last century when Anstoft (1970) distinguished between 5 degrees of turbulence in the environment. This researcher divided the environment into two categories: historic and discontinuous. The first category, ranging from the 1st to the 3rd degree of turbulence, allows for making decisions about the future based on the present and past events, which can be extrapolated to the future. Another situation can be observed in the "discontinuous" category, which includes the 4th and 5th degree of turbulence. The environment in this category is regarded as discontinuous and unpredictable. Therefore, making decisions is based only on weak signals from this environment. Undoubtedly, the environment of contemporary enterprises represents the 5th level of turbulence. The incessant disturbances can be observed in the environment. This is caused by the contradictions caused by the organizations which attempt to meet the needs for survival. Therefore, one of the features of the environment is the state of disturbance i.e. uncertainty and complexity at the same time (Nizard, 1998). This thesis can be supported by the arguments of famous thinkers in management science. Kotler and Casoline (2009) found that changes occur incessantly and can be initiated in any part of the world and have a strong effect on any enterprise. Furthermore, these authors emphasized that both enterprises and markets operate under conditions of turbulence, which consequently leads to chaos, risk and uncertainty, and, what is important, this has become a new reality. Similar findings were made by Drucker (2013), who found the present age as an age of discontinuity, with its sources being new technologies, globalization, cultural pluralism and knowledge capital. This researcher also emphasized tendencies and rightly suggested the continuous changes in the tendencies.

A similar perspective to tendencies was presented by Christensen (2013), who concluded that the creative destruction is the only change for development. On the one hand, disturbance displaces an existing market, industry, or technology, but on the other hand, it produces something new and more efficient and worthwhile. Therefore, destruction, chaos and turbulences are a necessary characteristic of the environment, which might contribute to the enterprise's success. In this context, one should explain what the turbulence is. The definition of the turbulence stems from physics, whereas in the management science it refers to complexity and variability of the environment. Turbulence is defined as the dynamic heterogeneity characterizing organizational environments' (SubbaNarasimha, 2001). Environmental turbulence is the combined measure of changeability and predictability of the organization's environment, which includes complexity, novelty, rapidity of change, and visibility (Moussetis, 2011). Turbulences are connected with higher level of risk that can be estimated and the uncertainty that cannot be measured. In the current world, turbulences are identified through the existence of unexpected changes, uncertainty, lack of control, inhibition anxiety, complex decisions, group inter-dependency, high performance demand, confusion, disintegration and neurotic organizations (Dolan et. al, 2003). Numerous factors can be found to affect the increase in the environment turbulence. Nowadays, the turbulent environments that firms are facing are caused by escalating global competition, decreasing product life-cycles, increasing rates of technological change, and increasing inter-connectedness among disparate and previously disconnected environmental elements (SubbaNarasimha, 2001).

However, the list of such factors is increasing as new ones are emerging and becoming more and more important and significantly affect the relations between the environment and organization. The statement of Dolan et al. (2003) who argued that 'turbulent environments are rule in this world, not an exception' seems to be a truism. The dynamically changing conditions cause that the enterprises are forced to look at their environment more carefully, and skilfully and flexibly respond to the emerging conditions. The enterprises can use a variety of instruments, tools and methods developed in the theory as well as best practices that help cope with difficult situations.

3. Corporate Governance in the Context of Financial Crises

The importance of the interest in corporate governance results from many various premises of micro- and macroeconomic character. They concern e.g. globalization processes, development of capital markets, building competitiveness of the economy, increase in the importance of corporate social responsibility or the necessity to prevent pathologies, abuse and scandals of the corporate character. From the standpoint of modern economy, the corporate culture is necessary for facing the challenges of development and for preventing crises and threats in the environment. Corporate governance is one of the main components of the modern market economy and its implementation often impacts on the effectiveness of the whole organization. Therefore, it should be emphasized that, under conditions of the unstable external environment, the principles of corporate governance used by the economic entities are essentially important. Implementation of these principles and perception of corporate governance is becoming a tool for the enterprises to counteract crises.

Keasey, Thompson and Wright (1997) found that corporate governance is a complex of structures, processes, cultures and systems which stimulate a successful progress of the company. According to the OECD (2004), corporate governance involves presence of the networks of relationships between the managers in companies, managing and supervisory bodies, partners, shareholders and other stakeholders interested in operation of the company. "Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interests of the company and its shareholders and should facilitate effective monitoring, thus contributing to a more effective utilization of the resources in enterprises" (OECD, 2004). The importance of corporate governance lies in striving for reinforcement and definition of precise legislature and agreements to regulate operation of enterprises. Furthermore, CG ensures that the shareholders' rights are protected, whereas the interests of stakeholders and managers might be consistent. All these factors affect transparency of the environment and each party is able to adopt the responsibility and contribute to the economic growth and creation of the corporate value (Pege, 2005). The essence of the corporate governance is to distribute rights and duties of different participants such as board, managers, shareholders and other stakeholders in the corporation (OECD, 2004).

There are more and more publications in the literature that are connected with the concept of the corporate governance. If, at the initial stage, these items concerned primarily the narrowly defined concept of corporate governance viewed as a mechanism for solving conflicts between shareholders and managers, the present discussion also concerns new regulations of the corporate governance in the context of financial crises. It is being emphasized that crises and failures modified the approach of investors and they shook the investors' confidence in the modus operandi of the corporations; in other words, they started questioning the efficiency of corporate governance in the corporation (Mishra & Bhattacharya, 2011). The investigations concerning what actually caused the crises focus on the questions about the consequent application of the principles of corporate governance in enterprises. Samborski (2011) argued that "corporate governance failed and has become one of the causes of world financial crisis". It seems reasonable to argue that it is not corporate governance that failed but the people, and, more specifically, managers. The short discussion below should support this thesis.

After several financial crises, in 1997-1998 (Asian financial crisis) and in 2001- 2002 (US dotcom crisis) and 2007-2009 (subprime crisis) and many corporate scandal cases, including different types of manipulation, more research and reviews of relevant corporate governance theories are necessary (Huy, 2012).

The problems with implementation of the principles of corporate governance are the most noticeable in the USA. On the one hand, the researchers emphasize that the corporate governance system of the US is more robust because it has the deepest and most fluid capital markets, a much

dispersed shareholding base and widely accepted laws and regulatory institutions (Mishra & Bhattacharya, 2011).

However, everything seems to be all right when the economy grows and develops and the managers are the dominant players, seeking new methods to boost the profits - not only the corporate profits but also those individual. This leads to the emergence of a speculation bubble which bursts, causing a crisis situation. The consequence is changes in corporate governance regulations.

In the case of the Asian crisis in 1997-1998, the enterprises tended to use Anglo-American model, which ensures greater transparency in the area of accountancy and ensuring value for shareholders. However, it is emphasized that the Anglo-American model was developed in the settings of American culture and values and the way business is made in the USA, which does not entirely reflect the problems of Asian enterprises (Yin Sam 2007; Mishra, & Bhattacharya, 2011).

More profound reflection on the corporate governance in the United States in 2002-2003 was caused by a strong concentration of many enterprises and financial institutions on making money, often unethically, using "creative accounting". The aggressive and creative accounting led to well-known decline of big corporations (Euron, WorldCom, Arthur Andersen) and translated into the loss of trust in the capital markets and the enterprises that operate in these markets. The typical questions in everyday press were *where was the board?* or *where were directors?* The White House of US confirms in Enron case that there is a failure of the board in their fiduciary duties to shareholders. As a consequence of these events, the reforms were made in the area of corporate governance, with one of the most noticeable effects of the reforms being the improvement in the credibility of financial reports of the companies. The reforms involved partial application of strict regulations. With regards to the soft law, the principle of *comply or explain why you don't use it* started to be employed. At the same time, the first provisions concerning corporate governance started to be implemented.

Subprime crisis started in 2007 revealed other weaknesses of the principles of corporate governance (Kirkpatrick, 2009). The report emphasized the four areas in the systems of corporate governance which were identified as a source of current problems:

- managers' salaries
- risk management system
- practice of activities performed by boards of directors/supervisory boards
- exercising the rights of shareholders.

The greatest importance was attached to the system of remuneration of the managers, which was found too inflated and not related to the outcomes. Information about the level of salaries and severance packages for the presidents of the banks that faced critical situations and received partial support from the state were eagerly debated. Global financial crisis showed that the dissonance between poor company performance and high salaries of CEOs poses a real threat to stakeholders and employees in these companies. The former might lose their property while the latter can be made redundant (Samborski, 2011).

Analogous approach was presented in the Group De Larosière report (2009), which stated that corporate governance is 'one of the most important failures of the present crisis'. Therefore, the principles of corporate governance were expected to be revised in key areas, including board composition and its competencies. It is also being emphasized that the risk management system failed in many cases with errors in CG procedures rather than in the computed models.

Financial crisis might encourage greater control over the managers by shareholders. Even if a country is not exposed to strong financial disturbances, the enterprises which consequently implement the principles of corporate governance should not be afraid of losing the trust of their investors. Apart from negative consequences, crises also have a positive effect. They are often a turning point in the enterprises, which involves not only the threats but can also be a source of new opportunities for the enterprise. Better management of the enterprise using the principles of corporate governance that allow for transparency of activities should translate into sustaining its value. Through commitment of the enterprise in implementation of the principles concerning the transparency and disclosure of information, it is possible not to lose trust of the investors, attract more long-term sources of finance and focus the attention on the strategic goals and building a positive image and trust for a specific entity. The use of best practices of corporate governance, especially under conditions of the crisis, allows for monitoring of the outcomes of company operation, thus allowing the companies to attract and sustain the stakeholders' trust.

The principles set by corporate governance are oriented at transparency of activities of the managers and managerial/supervisory bodies. They are mostly performed by the companies. Therefore, the problem lies not in the non-observance of corporate governance regulations but in activities which are not included in these regulations. The main objective of corporate governance is to implement, into enterprises' activities, the principles that are characterized by transparency and reliability. In other words, this means ethical enterprise management. On the one hand, using corporate governance contributes to ethical enterprise management. On the other hand, do we actually need regulations in order to ethically manage a company?

4. Development of Polish Regulations for Corporate Governance

Ten years after establishment of the Warsaw Stock Exchange, the Best Practices Committee was also established. The committee was responsible for e.g. preparation of the document "Best Practices in Public Companies in 2002." This document defined five principles of corporate governance and 48 recommendations concerning the functions of the general meetings, supervisory board, management and their relationships with external institutions. Almost all the companies that operate in the Warsaw Stock Exchange declared to meet the principles of corporate governance and were obliged to prepare reports about meeting them using the principle of Cadbury (1992) *comply or explain*. Changes that occurred in the principles of corporate governance all over the world were a consequence of numerous scandals concerning corporations and their managers. The above premises also cause modifications in Polish regulations. After comprehensive consultations and recommendations of the European Commissions and the Principles of Corporate Governance prepared by the OECD (2004), a new version of the principles of *Best Practices in Public Companies 2005* was proposed in 2005. Similar to the previous version this document was composed of five general principles and 48 soft recommendations concerning the functions of the general meetings, supervisory board, management and their relationships with external institutions.

A substantial change in the content of the document concerning best practices was introduced in 2007. New recommendations proposed by the stock exchange were connected with the emerging challenges in the market and companies. The main focus of best practices was reoriented into the problem of improving transparency and improving the information policy in the companies listed in the stock exchange and, furthermore, the focus was on the internal problems of relations between individual organs and their functioning in the company (Aluchna, 2008). This version of the document was composed of four parts and, apart from eight recommendations concerning best practices for stock exchange companies, contained 24 principles regarding managers, members of supervisory boards and shareholders. Not all the changes should be regarded as positive. The provisions concerning independent members of the supervisory board were more lenient. If the requirements from 2002 and 2005 defined that at least half of them had to be independent

(however, it should be emphasized that these regulations were the least respected), now only two of them have to be independent. Such provisions allow the most enterprises to meet this criterion. However, the idea should be not to meet the criterion but transparency of activities performed by the members of boards and building trust among investors. The new document does not impose the obligation of publication of individual salaries of the members of boards with respect to their structure, which was recommended in "*Best Practices in Public Companies 2005*" (2005). Further changes in the principles were implemented in 2010, 2011 and 2012. The changes in the principles are the response to the new tendencies and are often the effect of searching for effective solutions for the phenomena and events that extend beyond legal regulations (www.gpw.pl).

5. Cases of Corporate Governance in Chosen Polish Companies

The studies concerning the application of corporate governance in Polish companies listed in Warsaw Stock Exchange are scarce. Such studies were presented by Nartowski (2008) and Jerzemowska, Campbell and Najman (2010). Nartowski carried out the analysis of respecting the principles of corporate governance with best practices in public companies in 2005 and 2007.

The deviations from meeting the principles of corporate governance include (Nartowski, 2008; Jerzemowska et. al, 2010):

- at least half of the members of the supervisory board should be independent members
- supervisory board should act according to the regulations available to the public which should define the appointment of at least two committees: audit and salaries,
- concerning the choice of the entity to meet the function of expert auditor,
- neglecting the analysis of the issues included in the agenda,
- public information about the connections between a member of supervisory boards with a specific shareholder.
- requirement of the presence of the members of supervisory boards, boards of directors and expert auditors at general meetings.

Analysis of the consistency of using the principles of corporate governances with Best Practices 2007 revealed two shortcomings i.e. the lack of independent members in supervisory boards and the companies' reluctance to form an audit committee. An important problem was non-observance of the principles concerning the information policies and presentation of corporate materials and documents at the website, which should be the main source of information about the company and the powerful tool for stimulation of relationships with investors. (Jerzemowska et. al, 2010).

The attempt to carry out the survey by Jerzemowska and others (2010) concerning the evaluation of the corporate governance used in all the companies listed in the Warsaw Stock Exchange failed. Due to low commitment of the entities studies it was impossible to collect the representative sample. Thus the conclusions presented are merely of exploratory character.

Our study concern the declaration of using the Best Practices of the companies listed in the Warsaw Stock Exchange by the companies within the WIG-20 index from 2007. The empirical part of this study is based on the analysis of the data obtained from reports prepared by boards of directors in joint stock companies. The research sample was the entities numbered about the most liquid and biggest companies listed in the Warsaw Stock Exchange. The analysis was carried out for the companies that met this criterion in 2007-2014 (5 companies). The year 2007 was adopted as a beginning year for the research sample because it was considered as a point when first symptoms of financial crisis with global character were observed.

Table 1: The principles of corporate governance which were declared as non-observed

Year of implementation	Principle	Company and the years of deviations
2004	Independence of at least half of the members of the supervisory board	KGHM Polska Miedź (2007) PKN Orlen (2007) PGNiG (2007) Asseco Poland (2007) Lotos (2007)
2004	Information about personal, actual and organizational relationships of a member of the supervisory board with a specific shareholder, particularly the majority shareholder should be available to the general public	Asseco Poland (2007)
2004	The need for justification of the request for General Meeting and introduction of specific issues into the agenda	PGNiG (2007)
2004	The supervisory board should act according to their rules which should be available to the general public. The rules should include the appointment of at least two committees, for audit and salaries	PGNiG (2007) Asseco Poland (2007) Lotos (2007)
2004	Salaries for the members of the supervisory board should be determined based on transparent procedures and principles. The salary should be fair, but should not represent a substantial cost for the company nor it should substantially affect the company's financial result	Lotos (2007)
2004	Salaries for the members of the board of directors should be determined based on transparent procedures and principles with regard for the motivational character and ensuring the effective and liquid management of the company.	Lotos (2007)
2004	The choice of the entity to act as an expert auditor should be made by the supervisory board after recommendations of the audit committee or the general meeting after presentation of the recommendations of the supervisory board containing the recommendations of the audit committee	PGNiG (2007) Lotos (2007)
2004	The decision about not discussing the issue present on the agenda can be made only in the case of important reasons	Lotos (2007)
2007	Live transmissions of the proceedings of the General Meetings	KGHM Polska Miedź (2007-2011)
2007	Online presentation of the justification for the candidates proposed for the board of directors and supervisory boards with their resumes at the deadlines that allow for familiarizing with them and making the decision with due diligence	KGHM Polska Miedź (2008)
2007	At least two members of the supervisory board should meet the criteria of independence of the company and the entities with substantial relations with the company	PGNiG (2008-2014) Lotos (2008-2010)
2007	In terms of the tasks and activities of the committees that act in the supervisory board, the Appendix I of the European Commission Recommendation of 15 February 2005 on the role of non-executive directors should be used	PGNiG (2008-2014) Asseco Poland (2008- 2009) Lotos (2008- 2011)
2007	The day of determination of the dividend rights and the day of paying the dividend should ensure that the time between each other is shortest possible, not longer than	PGNiG (2013)

	15 working days	
2007	The general meeting or the supervisory board should ensure that the entity authorized to examine financial statements should change at least once every seven budget years	PGNiG (2008-2009)
2007	At least audit committee should be established within the supervisory board This committee should include at least one member who is independent of the company and the entities with substantial relations to the company and be competent in terms of accounting and finances	Lotos (2008- 2009)
2007	The company has a website and presents the information (based on the declaration of a member of the supervisory board) about the relations between the member of the supervisory board and a shareholder with the shares that represent at least 5% of overall number of votes in the general meeting of the company	Asseco Poland (2008- 2009) Lotos (2008 – 2011)
2007	Before concluding an important contract with the dependent entity, the board should apply to the supervisory board to approve this transaction/contract	Asseco Poland (2008- 2009)
2007	Conclusion of the transaction/contract with the dependent entity, meeting the conditions defined in the Part II item 3 requires the approval by the supervisory board	Asseco Poland (2008- 2009)
2007	A member of the supervisory board should provide (to the board of directors in the company) information about his/her relationships with shareholders that represent at least 5% of the overall number of votes in the general meeting.	Asseco Poland (2008- 2009)
2007	A member of the supervisory board should not resign in the situation when resignation might negatively affect the activities of the supervisory board, including the decisions made by the board	Lotos (2012)
2010	Balanced share of women and men in performing the functions of the board of directors and supervisory board	KGHM Polska Miedź (2010 - 2011) Asseco Poland (2010)
2010	The company should implement a salary policy and the principles of salary determination. The salary policy should in particular define the form, structure and level of salaries for the members of the supervisory and managing bodies. Setting the policy for the salaries of the members of supervisory and managing bodies should be based on the recommendation of the European Commission about the support for the system of salaries of the directors listed in the stock exchange	Asseco Poland (2010 – 2014)
2010	Live transmission of the proceedings of the general meeting using the Internet, recording the proceedings and publication of the proceedings at the website.	Asseco Poland 2010
2012	Ensuring that the shareholders can exercise the right to vote personally or through their plenipotentiaries during the general meeting, apart from the place of the general meeting using means of electronic communication	KGHM Polska Miedź (2012 - 2014) Lotos (2013 – 2014)
2012	Ensuring that the shareholders can participate in the general meeting using the means of electronic communication through live transmission from the general meeting and real-time two-way communication	KGHM Polska Miedź (2012 - 2014) PKN Orlen (2013-2014) PGNiG (2013-2014) Asseco Poland (2013 -2014)

2012	Ensuring live transmission of the proceedings of the general meeting in real time and recording the proceedings of the general meeting in the audio and video forms	Lotos (2013- 2014)
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6. Conclusions

An improvement in the transparency of operation of the entities studied was observed in the period of the analysis. Initially the scope of non-observed principles of the corporate governance concerned in particular the aspects of functioning of management and supervisory bodies. In the initial period of the study, i.e. in 2007, all the entities studied did not respect the principles concerning the independence of at least half of the members of the supervisory boards. It should be emphasized that this principle was changed in 2007. Currently, at least two members of the supervisory board should meet the criteria of independence of the company and entities substantially related with the company. This change in provisions allowed for meeting this principle in 3 of 5 entities studied in the beginning of its introduction. Furthermore, over the period of the study, the number of the principles not observed by the companies was reducing and their type did not relate to the regulation of the work of the board of directors and the supervisory board. The departure from implementation of the Best Practices of the companies listed in the Warsaw Stock Exchange in the last years concerned mainly the technical problems connected with proper utilization of the means of electronic communication for the contacts with shareholders.

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Corporate Espionage: Focusing On the Human Element

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Extended Abstract

Attacks are commonplace, and the perpetrators are often targeting crucial corporate assets and cause enormous harm to organizations affected. Especially cyber-attacks are on the way: Results of PwC's '2014 Global Economic Crime Survey' (PWC, 2014), covering respondents from 79 territories, show that 37% of organizations report being hit by economic crime, more than half (53%) of CEOs concerned about the effects on their business, and 49% report increased risk of cyber-threats (increase of 23% from 2011). The main industry sectors affected are engineering and construction (50%), energy, followed by utilities and mining (42%), governmental/state owned companies (35%), technology (32%), and pharmaceutical and life sciences (31%). To summarize (also from the background of other related studies): cyber security incidents multiply in cost and frequency.

Corporate espionage can be defined as an activity where an attacker is illegally copying, stealing, or sabotaging an enterprise's crucial information or data (Fink, 2002). With reference to diverse scholarly work and (worldwide) conducted studies, the main challenging risk environment is influenced by diverse information security-relevant issues like a missing corporate mobile computing strategy, insufficient mobile device management (e.g. bring your own device-regulations); cloud computing and related security weak spots; often, diverse stakeholders like business partners, former employees (with their knowledge of processes, persons, IT-systems and networks as well as of weaknesses of company's control system), trusted current employees as potential perpetrators (partially) fly under the organization's security radar; in many cases, organizations do not classify the business value of their data respectively of crucial assets like top business secrets; a lot of companies do not have an institutionalized plan to respond to malicious insider events, do not take care of adequate awareness trainings (e.g. trainings due to social engineering attack-strategies, proper communication of security policies, compliance rules, etc.).

Several of the above-mentioned security-relevant issues lead to the human-related factor as the probably weakest link in the information security chain. Businesses face threats from both external as well as internal sources. One of the main internal threat sources relates to malicious insiders. An insider could be anyone who has knowledge and access to corporate networks, systems, persons, etc. Mills et al. (2009) define an insider as "a person that has been legitimately empowered with the right to access, represent, or decide on one or more assets of the organization's structure"; insider attacks may significantly result in losses such as revenues, corporate reputation, and others, if an organization fails to protect, detect and investigate such (potential) occurrences. This leads to the question: Does a typical profile of a malicious insider exist? Diverse studies (see e.g. KPMG, 2013, ACFE, 2014) identify some characteristics: such a person is mainly male, 'middle-aged' (approximately between 35 and 55), in a position of 'capability' (having access to corporate assets) and is employed by the victim organization for some years. - In addition, most of perpetrators are so-called 'latecomer to crime' – the fast majority of fraudsters are first-time offenders (the vast majority had never previously been terminated or punished) as well as opportunity-takers or opportunity

seekers (detailed planned behavior and considerable criminal energy). Normally, one can identify some warning signals, for example a personal crisis, living beyond their means, and others. Results of a current study of the Association of Certified Fraud Examiners (ACFE, 2014) show that “[i]n 92% of the cases [...] at least one common behavioral red flag was identified before the fraud was detected”. Furthermore, based on diverse worldwide conducted studies, more than half of all perpetrators are insiders (see e.g. IBM, 2015).

Social engineering-attacks still seem to be a blind spot in organizations. Such attacks may come from trusted employees (inside the organization) or from hackers and others (as ‘gateway’ for a further other attack) from outside the organization and focus on the use or abuse of human behavior to reach a specific goal. Typically, a social engineer may call an employee and pose as a colleague from the IT-department and trick the employee to get his/her password or other crucial information. An example: “Hi, I am your new ERP consultant and I am calling from the CFO’s room. We have just finished implementing a new salary module for processing your salaries next month onwards. If you don’t mind, we need your domain login ID and password to integrate your salary processing for the next month” (Dontamsetti & Narayanan, 2008). Social engineers often use email or personal conversation as well. Such strategies involve information gathering and pretexting and elicitation as a “stimulation that calls up (or draws forth) a particular class of behaviors” (Hadnagy 2009, 87). For example, ‘social hacking’-cases are mostly successful because most humans have the desire to be polite, want to appear well informed, and are liable to praise and in this case often talk more than provided (Hadnagy, 2009). Social engineering focuses on an exploitation and leverage due to a trust relationship (Jacobsson & Tsow, 2009).

The presentation (probably my full paper – please see my question mentioned below) focuses on two aspects of human-oriented attack-strategies: on insider threat an on social engineering.

Keywords

Corporation espionage, insider threat, social engineering

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Trajectory of Malaysian SME Performance in Filtering Domestic Economic Turmoil and Improving Financial Resilience through Network Interaction: A PLS Path Modelling

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Abstract

The goal of this paper is to address the needs for research in the relationship between entrepreneurial orientation (EO), network and firm performance (Medium-sized manufacturing firms in Malaysia). It has been said that competitive firms may contribute to progressive economic development and improve resilient to both the organizations and nation. A theoretical model based on a Resource-Based View (RBV) approach to business performance of SME was developed to answer the research questions, these are; (i) There is significant relationship between EO and firm performance, (ii) Network moderated the relationship between EO and firm performance. A quantitative survey method was employed in the study, and the questionnaires were used to obtain the data from the top management of the medium-sized manufacturing firms in Malaysia. A total of 156 usable questionnaires were obtained from the survey, giving a response rate of 22.03%. Data were analysed using PLS path modelling technique to test direct and interaction relationships. The findings indicate that the direct relationship between Entrepreneurial Orientation (EO) to firm performance was supported. The finding also confirms the moderating effect of networks on the relationship between entrepreneurial orientation (EO) and the performance of the medium-sized manufacturing firms in Malaysia. More importantly, the results have demonstrated supportive evidence of the theoretical model of RBV as underpinning theory and Social Exchange Theory (SET) as the supporting theory for this study. These findings provide explanations on the relationships between EO, networks, and how these variables affects performance of the medium-sized manufacturing firms in Malaysia. The findings offered several theoretical and practical implications to the top and middle management, other stakeholders including policy-makers as valuable contribution in the quest to improve firm competitiveness and performance, and subsequently increase their resilience from possible domestic or international crisis. Lastly, the limitations of study and recommendations for future research were also addressed.

Keywords

Entrepreneurial orientation, networks, SME, firm performance, PLS path modelling

1. Introduction

Malaysia is facing domestic economic turmoil due to global plunge in commodity price, devaluation in local currency and domestic political crisis (BNM, 2015). Somehow, Small and Medium-sized Enterprises (SMEs) have been described as vital contributor to the economic growth of nations and also in filtering the said impact to the nation (Hassen & Mccarthy, 2011; Lim & Kimura, 2010; Uhlaner, Van Stel, Duplat & Zhou, 2013; Uhlaner, Van Stel, Meijarrd & Fulkeringga, 2007). Unfortunately, data has shown that SMEs are still facing difficulties in achieving the same standards as larger corporations in Malaysia and SMEs in other developed countries (ACCCMI, 2012; SME Annual Report, 2014; SME Masterplan, 2012). Therefore, this study attempts to further look into factors described in the literature which contribute to the improvement of SMEs' performance especially from the financial aspect (Forsman, 2008; Mirza & Ali, 2011; Robbinson, 2012). Literature and surveys suggest few distinct variables which contribute to the improvement of SMEs in other countries and other sectors namely network and entrepreneurial orientation of a firm (Lim & Kimura, 2010; Tushman, 2008; Uhlaner, Van Stel, Duplat & Zhou, 2013).

The Medium sized manufacturing sector has been identified as the most influential segment of the economic sector which consistently contributes to a nation's innovation sourced and is important in maintaining a nation competitive position as well as global standing (Bos-Brouwers, 2010; Radas & Bozic, 2009; Soon & Zainol, 2011).

More importantly, section 1 explains the reason why the issue of SMEs' performance, in relation to the above said factors requires further research. This study is structured into three main sections: the first section has been explained earlier. Section 2 explains the literature review of the current study. In Section 3 of this study, a research framework is provided as well as the method and research design adapted, and in the final section the limitations of study and recommendations for future research were also addressed.

The important role of SMEs in most nations (whether developed or developing, including Malaysia), in terms of economic growth and providing employment is being increasingly acknowledged in recent years (Benzing, Chu & Kara, 2008; Coy, Shipley, Omer & Khan, 2007; Dass & Zheng, 2008; Reijonen, 2008). Throughout the 1980's and 1990's, the Malaysian government has played an important role in encouraging and investing in large-scale firms and projects and this has paid-off in terms of domestic growth (Soon & Zainol, 2011). But over-dependence of many Asian countries (including Malaysia) on large corporations for project development and external market for growth, contributed somewhat to the Asian Financial Crisis in late 1997. Similarly in late 2009, the United States of America (USA) and Europe faced their own financial turmoil for practicing similar strategies.

The neglect of SMEs was seen to have negative effects on the global and domestic economies. Subsequently, in order to filter the external impact of possible economic crisis to domestic growth, many countries have already embarked on promoting domestic investment and productivity with specific focus on SMEs (Abu Bakar & Ahmad, 2010; Soon & Zainol, 2011). In recent years, the Government of Malaysia has identified several initiatives through massive surveys and studies to promote the growth of existing and new business establishments. These include the implementation of various programmes, such as the SME Masterplan (2012-2020); the Tenth Malaysia Plan (10MP) (2011-2015); the Economic Transformation Program (ETP); and the Government Transformation Program (GTP). These plans and programs involve a budget of billions of ringgit yearly.

The surveys which were conducted by the relevant authorities indicate that the main causes of the lacklustre performance of Malaysian SMEs, amongst others, are lack of innovation activities, lack of human capital and also lack of various resources, such as finance, skills, human resources and many others (ACCCMI, 2012; Samad, 2012; Chye, Tat, Mohd Osman & Md Rasli, 2010; SME Annual Report,

2013, 2013/14). This is in line with past literature which indicates that the performance of SMEs could be drastically improved through innovation; overcoming resource constraints by emphasizing on networks; and promoting entrepreneurial orientation in firms (Abdul Aziz, Mahmood, Abdullah & Tajudin, 2013; Alam, 2009; Caniels & Rietzschel, 2013; Jaaffar & Sharif, 2014; Yang, 2008).

Firstly, when we look in terms of firm performance or the main issue for the current study, there are several definitions. Literature on SMEs has highlighted the definitions from the financial, market and overall growth aspects of a firm (Crossan & Appadin, 2010; Law, 2012; Radas & Bozic, 2009; Santos & Brito, 2012). This study notes that financial performance is a vital subject of research, especially in Malaysia, since the productivity of SMEs lags far behind the SME sector of developed countries (SME Masterplan 2012-2020; Soon & Zainol, 2011). Secondly, the literature and surveys also suggest that the EO as a major factor contributing to improve financial performance of SMEs. This needs consistent research (ACCCIM, 2012; Fagerberg, 2003; Subrahmanya, 2011; Tidd & Hull, 2006). Past studies have suggested that innovation activities or innovativeness are mostly practiced by medium-sized firms of the SME sector (Bos-Brouwers, 2010; Radas & Bozic, 2009).

Thirdly, literature indicates that currently, there is still a lack of empirical studies that integrate entrepreneurial orientation or activities with network as suggested by Zimmerer, Wilson and Scarborough (2009) and Lumpkin and Dess (1996). Such a study is crucial in order to counter the resource constraints faced by SMEs (Abdul Ghani, 2009; Law, 2012; Zhou & Li, 2012). Fourthly, past studies have argued that a study on the Entrepreneurial Orientation (EO) is crucial for strengthening the link between the innovation factor and firm performance. Most EO studies in Malaysia have used three factors (Innovativeness, Proactiveness and Risk-taking) (Abdul Aziz et al., 2013; Samad, 2012). Some prominent scholars suggest five factors (Innovativeness, Proactiveness, Risk-taking, Competitive Aggressiveness and Autonomy) which the literature has suggested as suitable for a study on SMEs (Lumpkin & Dess, 1996; Martinez-Roman, Gamero & Tamayo, 2011). However, the current study suggests different three distinctive factors which suitable to the identified unit of analysis, medium-sized manufacturing SMEs namely innovativeness, competitive aggressiveness and autonomy (Jaaffar, 2015).

Finally, past literature has also suggested organizational context factors influence or enhance the relationship between network, EO and firm performance. In the context of this study, network plays a very important role in promoting or enhancing this link. Very few studies in Malaysia have attempted to study the relationship in an integrated and holistic manner. A recent study by Abdul Aziz et al. (2013) and Md. Saad & Mazzarol (2012) attempted a study on the influence of EO on Transformational Leadership Style but they did not touch on the network impact and within the SMEs. Moreover, the study was conducted on the service sector only, similar to another study by Samad (2012). Samad (2012) conducted the study on service firms which did not include the network factor in influencing firm performance through entrepreneurial orientation. In terms of population and sampling for similar subjects and perspectives, there is still a lack of empirical research that focuses on medium-sized manufacturing firms in Malaysia (Samad, 2012; Yang, 2008).

To conclude, the above issues have indicated that past studies on the relationship between firm performance, network and EO are limited in scope as well as lacking in focus. These limitations suggest that there is a need to conduct not only more research on the above perspectives, but also there is a need for studies to address the various methodological issues found in previous works. To be specific, the researcher attempts to investigate the impact of network on the relationship between EO and performance of medium-sized manufacturing SMEs.

This objective of this research used to answer the following questions:

- a) Is there any significant relationship between EO and firm performance for the medium-sized manufacturing firms in Malaysia?

- b) Do Network moderate the relationship between EO and firm performance for the medium-sized manufacturing firms in Malaysia?

The following section analyses the prolonged issue of the lacklustre in the performance of Malaysian medium-sized firms, their relationship with Entrepreneurial Orientation (EO) and the interaction effect with network. Then, the research hypotheses and the methodology followed are described, including the sample and the variables used. The fourth section presents the results of the empirical study, while the final section offers the most important conclusions of the research and its limitations.

2. Literature Review

This paper focussing on three basic concepts: the performance of Medium-sized manufacturing firms in Malaysia as dependent variable, Entrepreneurial Orientation (EO) as the independent variable, and network as the interaction or moderating variable to the relationship between EO and the performance of medium-sized manufacturing firms in Malaysia.

2.1. Firm performance

Past research and survey indicates that SMEs in Malaysia remain inferior in terms of performance compared to larger corporations and similar size firms from other developed and developing countries (Refer to Table 1. below).

Table 1: Productivity level of SMEs and larger firms.

Sector	Average Productivity Per worker 2012	Ratio
SMEs in Malaysia	RM50,498	
Large Firms in Malaysia	RM148,500	3 times
SMEs in Singapore	RM225,000	4 times
SMEs in the USA	RM348,000	7 times

Source: SME Annual Report 2013/14.

From Table 1.1, it can be seen that the performance of Malaysian SMEs is lagging behind larger corporations, which is three times more. When compared to other countries' SMEs like Singapore and the USA, Malaysian SMEs are still far behind them. (Singapore is four times more and the USA is seven times more). In the first chapter, the researcher already stressed that Malaysian SMEs also suffer from low productivity when compared to other developing and developed nations' SMEs (Refer to Table 1.1). From the Table, SMEs of the countries listed contribute more than 50% to their GDP compared to Malaysia with just a mere 32.5% of its GDP. In 2013, there was a slightly increase to 33.1% (SME Annual Report, 2013/2014). This is a serious issue faced by Malaysian SMEs regarding their performance, which justifies this research (ACCCMI, 2012; Hashim, 2006, 2007; SME Masterplan 2012-2020). Literature indicates various issues in relation to SMEs' performance that have been mentioned earlier on. Firstly, the researcher defines firm performance as follows:

Firm performance could be defined in various ways. The current study defines firm performance as SMEs' productivity and profitability as suggested by past literature (Crossan & Appadin, 2010; Santos & Brito, 2012; Subrahmanya, 2011). Too many terms have been used by various researchers, authors and academicians, such as firm performance, organizational performance, new venture performance, financial performance, non-financial performance as well as SMEs' performance. For the purpose of this study, the researcher uses SMEs' performance as a term to indicate the performance of small

and medium enterprises that are owned and managed by entrepreneurs. Performance can be defined as “the degree to which the firm meets the customers’ expectations, the quality of working life and product quality (Robbinson, 2012). Parida and Westerberg and Frishammar (2012) considered performance measurement as “the process of quantifying action”. Sometimes, it is also interpreted as observed self-employment earnings (Kelly, 2007).

Within the context of this study, firm performance is defined as the degree to which the enterprise meets the owner-manager’s expectations in terms of sales, profitability and overall performance (Abu Bakar, 2010, Calogherou, Kastelli, & Tsakanikas, 2004; Crossan & Appadin, 2010). Studies on strategic management have frequently used firm performance as a dependent variable. Past studies have empirically tested firm performance measurement model subjectively. Many studies have used survey method to collect data from top and middle management. Literature suggests growth, profitability, employee and customer satisfaction, social and environmental performance as the first-order dimensions. Past studies have also outlined profitability and influencing growth as the second-order of financial performance; and both orders are correlated with non-financial factors. To understand the result of various strategies on multiple performance factors, researchers and practitioners have applied the performance financial model in their survey or study. Since stakeholders have different requirements and results suggest that all dimensions of the financial model cannot be used successively because they represent different aspects of firm performance, they need to be individually managed or justified based on respective study requirement. (Abu Bakar & Ahmad, 2010; Salim & Sulaiman, 2011; Santos & Brito, 2012).

2.2. Entrepreneurial orientation (EO)

Entrepreneurial Orientation (EO) means at firm level, firms display risk-taking behavior illustrated by large resource commitment to high-risk and high-return business. While proactiveness means firm’s approach to market opportunities and forward-looking perspective; innovativeness of a firm (Wiklund & Sheperd, 2003) is closely related to business expansion, technological process, wealth creation and having the predisposition to undertake risky ventures (Lumpkin & Dess, 1996). The fourth components of EO is competitive aggressiveness means how firms respond to competitive trends and demands (Lumpkin & Dess, 1996) and Autonomy suggests by Jansen *et al.*, (2005) as organizational units with decentralized and densely connected social relations are able to act ambidextrously and pursue exploratory and exploitative innovation simultaneously. EO is normally related and refers to small and medium-sized firms (Miller, 1983; Runyan, Droge & Swinney, 2008; Wiklund & Sheperd, 2003).

This study suggests three dimensions (Miller, 1983; Lumpkin & Dess, 1996) of EO as follows:

- Innovativeness
- Competitive aggressiveness
- Autonomy

A few studies have positively correlated EO with firm performance. The alignment of EO is crucial for small businesses due to their limited resource base (Li, Zhao, Tan & Liu, 2008; Wiklund & Sheperd, 2003; Lumpkin & Dess, 1996). Lechner & Leyronas (2009) conducted a case study on three companies which experienced growth within five years of existence. The study reveals that entrepreneurship and growth are linked. The current study suggests that small-business groups which experience growth promote an EO throughout the firm.

2.3. Network

Network is defined as a group of two or more firms that are banded together to carry out some new business activity that the members of the network could not pursue independently (Zhao & Aram;

1995; Zhou & Li, 2012); or as an activity in which the entrepreneurially- oriented SME owners build and manage personal relationships with particular individuals and other parties in their surroundings. The individuals may refer to family, friends, bankers, lawyers, accountants, other entrepreneurs, government officials and others (Hojnik & Rebernik, 2012).

Most of the time, entrepreneurs have to spend certain amount of hours to search for new contacts and maintain relationship with existing contacts (Aldrich et al. , 1989; Reese & Aldrich, 1995). These persons that entrepreneurs contact might consist of family, friends, other entrepreneurs, government officials, lawyers, bankers, accountants, suppliers, customers, business chambers, social organizations and others. Due to resource constraints, previous literature has revealed that networks or external assistance from various sources do help in improving a firm's performance, particularly SMEs (Macdonald & Turpin, 2008; Piispanen & Kajunas, 2012; Zhou & Li, 2012). One of the most crucial sources of innovation comes from customers' ideas and relatives (Piispanen & Kajunas, 2012; Vrgovic, Vidicki, Glassman & Walton, 2012). Customers are involved in various ways, such as direct participation from key customers and sign of new direction of purchase.

Another important aspect of networks is the idea from the customers, friends and relatives to the firm which is found to be very important during EO assimilation (Piispanen & Kajunas, 2012). SMEs with established firm-supplier-family and relatives relationship were found to register higher levels of new products produced with incremental innovations developed, indicating its significant moderating role (Vrgovic et al., 2012). Zhou and Li (2012) studied high-tech companies in China. The above explanation attempts to shed some idea regarding the interlink between network, EO with firm performance, and the role of network in filling the gap of resource constraint faced by SME. The current study focuses on the important role or relatives in supporting the medium-sized performance in Malaysia during domestic financial crisis (Jaaffar & Sharif, 2014; Jaaffar et al., 2014; Law, 2012).

The Resource-based View (RBV) theory is the most applied theory to show those firms' differences in EO and network can be due to resource-based differences. The RBV Theory (Abu Bakar & Ahmad, 2010; Barney, 1991; Lee *et al.*, 2001) regards the firm as a bundle of resources and suggests that their attributes significantly affect the firm's competitive advantage and dynamic capability (Eisenhardt, 2000); and by implementation, the performance of the firm. These resources are limited/scarce, imperfectly tradable and hard to imitate. Barney (1991) highlighted four empirical indicators in his study regarding potential firm resources for generating sustained competitive advantage, namely: value, rareness, imitability and non- substitutability.

Wernerfelt (1984) undertook a study on a resource-based view of the firm. The study analyzed firms from the resources side rather than the product side. This study focused on firm's diversification rather than the holistic innovation activities of a firm. When SMEs operate in a high-tech industry, especially manufacturing firms, innovation and implementing EO becomes even more important. SMEs, which have a smaller resource pool compared to larger players, need to innovate and enhance their network to compensate this shortcoming in order to survive stiff competition in this industry. The RBV theory is used to discuss the factors which affect innovation, EO, networking and firm performance (Das & Zheng (2008).

Social exchange theory (SET) was also been considered as important supporting theory when referring to the network interaction between EO and firm performance. The Social Exchange Theory was introduced by Homans (1958) and extended by John Thibaut, Harold Kelley and Peter Blau. As argued by Blau, "social exchange as here conceived is limited to actions that are contingent on rewarding reactions from others". Implied is a two-sided, mutually contingent, and mutually rewarding process involving "transactions" or simply "exchange" (Emerson, 1976). According to the Cropanzano and Mitchell (2005) and Emmerson (1976), there are two types of relationships in this study: Firstly, Group Process as "Productive" Exchange, which means sharing resources among the

actors in order to produce another outcome or product for the benefit of the parties involved. Secondly, exchange networks, which means productive exchange is uniquely addressed to resource distribution within corporate groups. It is also known as dyadic exchange (Homans, 1958).

3. Hypotheses

We carried out an empirical study based on a questionnaire sent to a sample of Malaysian medium-size manufacturing firms to try to respond to the questions raised in the introduction. Based on this information certain hypotheses have been drawn and are presented below. It can be said that the main aim of EO and the interaction with network is to improve and enhance the overall performance of the organisation (Jaaffar et al., 2014; Li *et. al*, 2001; Zhou & Li, 2012); this is the reason why this criterion is used to evaluate the EO and Network in this study.

In the literature, EO is normally related and refers to small and medium-sized firms (Runyan *et al.*, 2008; Miller, 1983; Wiklund & Sheperd, 2003). This study suggests three dimensions (Li *et al.* 2008; Lumpkin & Dess, 1996; Miller, 1983) of EO: innovativeness, competitive aggressiveness and autonomy. Few studies have positively correlated EO with firm performance. The alignment of EO is crucial for small businesses due to their limited resource base (Li *et. al*, 2001; Lumpkin & Dess, 1996; Wiklund & Sheperd, 2003). EO has predominantly shown to have a positive relationship with firm performance, especially SMEs. There is also empirical support suggesting the resourcefulness of EO (to tap sensitivity of time and novelty, dynamic change in environment, decision-making in unexpectedness and resource scarcity). The following hypothesis is postulated:

H1. Entrepreneurial Orientation (EO) is positively related to performance of medium-sized manufacturing firms.

Due to resource constraints, previous literature reveals that network or external assistance from various sources helps to overcome this issue (Macdonald & Turpin, 2008; Piispanen & Kajunas, 2012; Zhou & Li, 2012). Only 17% of product improvement is developed internally and the rest come from external sources, mainly customers (Tucker, 2008).

Network may come from outside facilitators and creativity gurus can have a lasting impact on a firm's creativity and innovativeness (Tucker, 2008); customers (Piispanen & Kajunas, 2012); competitors (Macdonald & Turpin, 2008); suppliers, government agencies, associates and market knowledge acquisition (Zhou & Li, 2012). Past literature suggests network as one of the important ways to compensate for the lack of resources among SMEs and consequently improve firm performance (Terziovski, 2003; Zhou & Li, 2012). As an interaction variable, network has been hypothesized as moderating EO and performance of medium-sized manufacturing firms in Malaysia (Engelen *et al.*, 2015; Lumpkin & Dess, 1996). Therefore, the following hypotheses are put forth:

H2. Network positively moderates the relationship between Innovation and SMEs' Performance.

4. Methodology

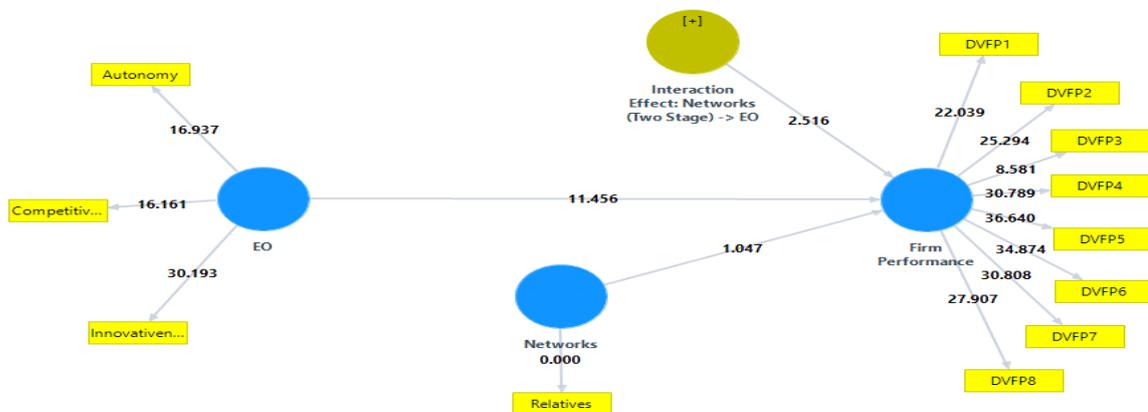
Before testing the hypotheses, we ran a data cleaning analysis, measurement model PLS Algorithm analysis and obtained three factors relating to the medium-sized manufacturing SMEs in Malaysia. In the sample firms (Firm performance, EO and network).The variables used to form the factors were obtained from Likert scale type questions in a questionnaire sent to the top management team (TMT) of the sample firms. From the factors identified, which define and evaluate the factors relating to the sample firms as outline in the earlier section, we ran a SEM(Structural Equation Modelling) analysis by using PLS(Partial-Leased Square) Path modelling. The present study employed PLS path

modelling (Hair, Hult, Ringle & Sarstedt, 2014; Henseler & Fassot, 2010) using Smart PLS 3.0 M3 software to test the theoretical model.

After the PLS path model was run, the interaction or moderating effect by using PLS-Structural Equation Modelling (SEM) analysis was conducted. Hence, following Henseler and Chin’s (2010); as well as Henseler (2013) approaches to the analysis of moderating effects in PLS path modelling, a single stage approach was used to test the moderating effect network on the relationship between EO and firm performance of medium-sized manufacturing firms. Finally, a graphical plot was used to explain the strength of the moderating effect or the interaction result through graphical plot by using Cohen’s (1988) effect size formula.

5. Findings

Figure 1: Structural Model with Moderator.



5.1. Results of hypotheses testing

Table 2: Structural Model Assessment with Moderator

Path Coefficient	Beta	SE	T Values	P Values	Decision
EO -> Firm Performance	0.649	0.057	11.456	0.000	Supported
Interaction Effect: Networks (Two Stage) -> EO -> Firm Performance	0.172	0.068	2.516	0.006	Supported
Networks -> Firm Performance	-0.076	0.072	1.047	0.148	Not Supp

***p<0.01, **p<0.5, *P<0.1

Hypothesis 1

Hypothesis 1 predicts that EO is positively related to firm performance. As shown in Table 2 and Figure 1.1, the result indicates a significantly positive relationship between EO and firm performance of medium-sized manufacturing companies ($\beta = 0.649$, $t = 11.456$, $p < 0.01$), supporting hypothesis 1.

Hypothesis 2

Hypothesis 2 predicts that network is positively related to EO and firm performance. The result in Table 2 and Figure 1 indicate a significant positive interaction effect of network between EO and firm performance ($\beta = 0.172$, $t = 2.516$, $p > 0.01$). Hence, supporting hypothesis 2.

The structural model. R2 and Betas PLS is used to estimate the structural equations with the aid of the SmartPLS software (Hair et al., 2014; Henseler, 2013), which allows standardised Beta regression coefficients called “path coefficients” to be obtained. These coefficients test whether the proposed

hypotheses are supported or not. R2 values measure the amount of variance of the construct that is explained by the model. The R2 of the latent variable to be explained, firm performance, is 0.434. The current study shows the standardised path coefficients (these are also on the lines connecting the constructs in Fig. 2) and the firms' t values (obtained with a bootstrapping procedure with 5000 samples). Out of the 3 path coefficients of the model, two correspond to the hypotheses H1 and H2 already mentioned, while the third one does not correspond to firm performance. The results indicate that the contributing variable is still insufficient in explaining the suggested framework for medium-sized manufacturing in Malaysia.

5.2. Testing the moderating effect

Figure 2: Interaction Effect of Network and EO on Firm Performance

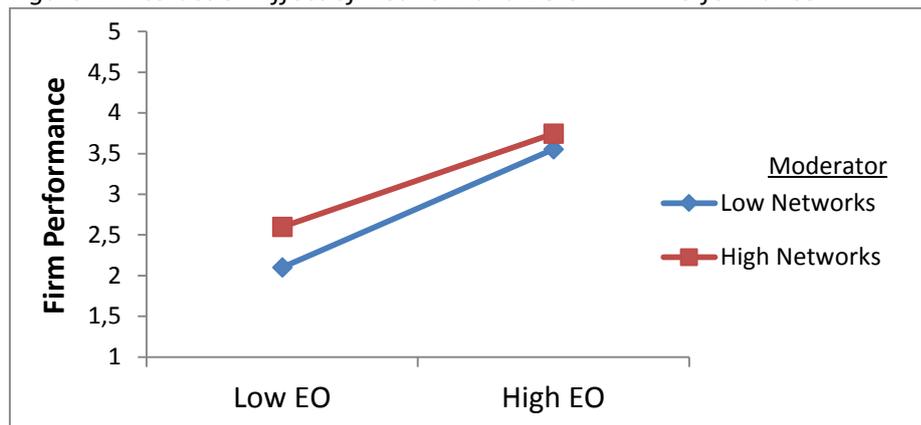


Table 2, Figure 1 indicated a significant interaction between perceived network and EO in predicting firm performance ($\beta = 0.172$, $t = 2.516$, $p < 0.01$), hence providing strong support for Hypothesis 2. Graphically, this finding is depicted in Figure 1.2 depicted that network moderated the relationship between EO and Firm performance, such that this relationship is stronger (i.e. more positive) for firms with high EO than it is for firms with low EO.

In term of effect size of the moderating variable (f^2), table indicate $f^2 = 0.048$, which according to the Cohen's rule 1988, the effect size of the network is considered weak.

6. Conclusions

In this study we have obtained valuations about different aspects of medium-size manufacturing firm performance from the TMTs sample of Malaysian firms. The PLS model shows the positive effect that network strategy has on the relationship between EO and firm's financial results. The EO shows a positive association with improved financial results, but the interaction effect network strategy is more important and significant during domestic economic turmoil.

In addition, this work suffers from a number of limitations and there are possible lines of development that should be considered in future research. They are follows: Firstly, the sample is small, so the conclusions should be viewed with caution. Secondly, future research should include other variables not used in this study's questionnaire and which conceivably affect the firm's performance, such as: innovation activities; TMT leadership style; human resource strategies; and perceived need for more-sophisticated strategic management practices among all level of management. Additionally, given that companies are in a dynamic environment, studies are needed to collect the effects of new variables of strategic management and their evolution. Thirdly, since the the researcher has adopted a cross-sectional study design, therefore, a longitudinal design in future

needs to be considered to measure the theoretical constructs at different points in time to confirm the findings of the present study.

Taken together, the present study has provided additional evidence to the growing body of knowledge concerning the moderating role of network on the relationship between EO and firm performance of medium-sized manufacturing organizations in Malaysia. Results from this study lend support to the key theoretical propositions. In particular, the current study has successfully answered both the research questions and objectives despite some of its limitations. While there have been many studies that have examined the underlying causes of SMEs' performance, however, the present study has addressed the theoretical gap by incorporating network as a moderating variable, thus suggesting medium-sized manufacturing firms to be more focused on their network activities and nurturing EO within their organizational structure.

This study does lend theoretical and empirical support for the moderating role of network and the findings should be taken in consideration of empirical findings which suggesting medium-sized manufacturing firms to emphasize on network and absorbing EO within their organizations. The theoretical framework of this study has added the domain of the Resource Based View Theory and Social Exchange Theory by examining the influence of network on the relationship between entrepreneurial orientation on the medium-sized manufacturing firms' performance in Malaysia.

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A Cross National Analysis of M-Shoppers' Loyalty and Attitude toward M-Advertising

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Abstract

This manuscript analysis mobile shoppers' personal (perceived control, innovativeness and compatibility) and social (subjective norms) factors influence on consumers' attitude toward mobile advertisement and their loyalty. We select Mexico and Spain to test the proposed model in countries with different levels of economic development and stage of technology adoption. Moreover, Spain and Mexico are countries scarcely studied in literature. Using simple random sampling, we collected 447 and 526 survey questionnaires in Spanish language of Spanish and Mexican mobile shoppers, respectively. We perform a multigroup structural equation analysis that show the moderator role of consumers' nationality and that the direct and indirect influence of perceived control, innovativeness, compatibility and subjective norms on attitude toward m-advertising and loyalty can vary depending the economic development and technology adoption in the analyzed markets.

Keywords

Attitude, m-shopper, m-advertising, loyalty, cross-national

International Entrepreneurs' Proclivity, Domestic Market Competition, Organizational Capabilities and Performance of SMEs: Moderating Effect of Product Category

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Extended Abstract

Introduction and Rationale

RBV (resource-based view) suggests that firm's ability to generate and build or leverage resources and competences is the key to competitive advantage and organizational survival (Barney, 1991). Organizational capabilities, defined as firms' abilities of creating value through effective transformation of inputs into outputs, is key to achieving higher performance in international markets (Autio, Sapienza, & Almeida, 2000; Knight & Cavusgil, 2004; Zahra, Ireland, & Hitt, 2000).

The importance of organizational capabilities is even more critical to small –and medium-sized enterprises (SMEs) that compete with limited resources. While the importance of organizational capabilities is emphasized in the literature, limited attention is directed to explore the antecedents and outcomes of organizational capabilities in a comprehensive manner. The purpose of this study is to extend our understanding of SMEs' organizational capabilities incorporating more relevant antecedents and a moderator. This study further examines the moderating effect of product category in the relationship between organizational capabilities and performance. The research framework will be proposed and empirically tested with SMEs in South Korea (from now on Korea) because of the critical role of SMEs in the country's economy and severe domestic market competition.

Research Framework and Hypotheses

This study focuses on central role of SMEs' organizational capabilities in their international performance. For antecedents of organizational capabilities, this study examines entrepreneurs' proclivity toward international markets and domestic market competition. Entrepreneur proclivity is characterized as entrepreneurs' innovative, proactive and risk-taking attitudes in the international markets, which is instrumental in promoting competitive advantage and creating values in internationalization effort (Knight & Cavusgil, 2004; Zhou, Barnes & Lu, 2010) and a critical determinant in both initiation and subsequent performance outcomes (Jones & Coviello, 2005).

Domestic market competition within sector was known to lead SMEs to expand to international markets early (Fan & Phan, 2007). While previous studies did not explicitly test the role of domestic market competition in creating organizational capabilities, this study posits the relationship as

positive because SMEs perceive severe market competition in domestic market will put more efforts in increasing their capabilities to survive. Based on this, this study postulates that both entrepreneur's international proclivity and domestic market competition will facilitate organizational capabilities.

Two aspects of organizational capabilities, technological and marketing capabilities are often discussed in literature, are selected for this study. Various previous studies showed that technological learning (Zahra et al., 2000) and capabilities (Knight & Cavusgil, 2004) positively increased international performance of new ventures.

The central premise of the proposed framework of this study is that both entrepreneur proclivity and domestic market competition level prompt SMEs to develop their technological and marketing capabilities, which will lead them to higher performance. The framework further posits the differing roles of SMEs' technological and marketing capabilities on performance by product category. Unlike industrial goods in which technological innovation is more valued, marketing capabilities may be more critical in consumer goods because brand reputation and country-or-origin image primarily drive consumers' perception of product quality (Kumar & Steenkamp, 2013). Firm age and firm size were controlled in this study to examine the proposed effects clearly. Hypotheses built around the proposed research framework (Figure 1) are as follows.

- H1a: Entrepreneur proclivity facilitates SMEs' technological capabilities.
- H1b: Domestic market competition facilitates SMEs' technological capabilities.
- H2a: Entrepreneur proclivity facilitates SMEs' marketing capabilities.
- H2b: Domestic market competition facilitates SMEs' marketing capabilities.
- H3a: SMEs' technological capabilities increase SMEs' international performance.
- H3b: SMEs' marketing capabilities increase SMEs' international performance.
- H4a: The positive effect of SMEs' technological capabilities on performance is stronger among SMEs exporting industrial goods than among SMEs exporting consumer goods.
- H4b: The positive effect of SMEs' marketing capabilities on performance is stronger among SMEs exporting consumer goods than among SMEs exporting industrial goods.

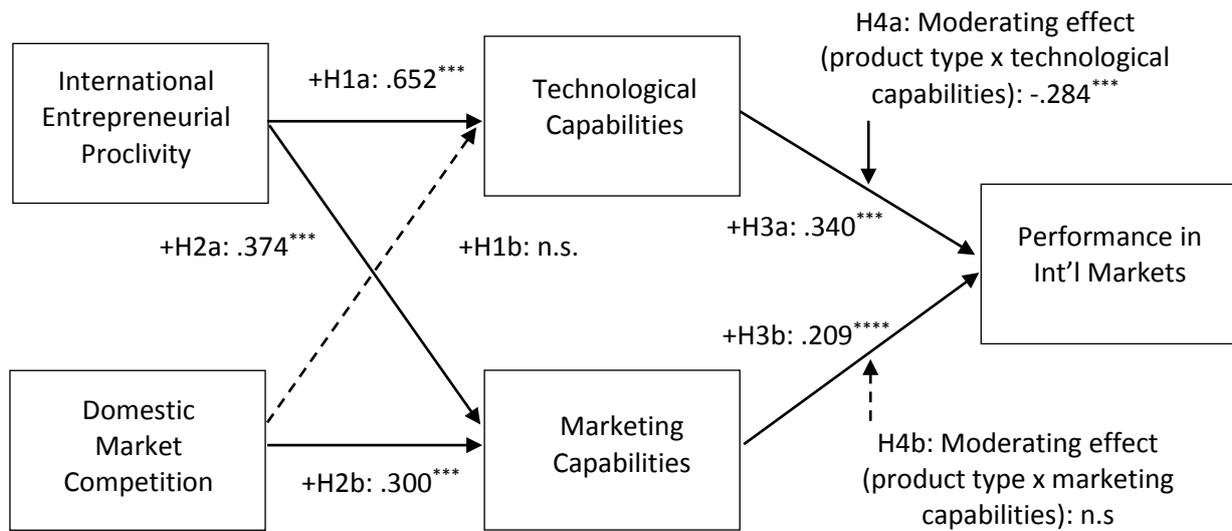
Method

A sampling frame of 60,000 SMEs that are active in exporting was developed based on a nationwide database of Korea Chamber of Commerce and Industry. Excluding SMEs in i) non-product service industries such as retail and wholesale, and ii) micro businesses that employ less than 30 employees, a survey questionnaire was sent by email or fax to personnel at the executive level in 3,000 SMEs. Among 564 questionnaires returned (18.8% return rate), 470 data were entered into analyses excluding insincere and unqualified responses. Measurement items were adopted from previous studies (Keh, Nguyen, & Ng, 2007; Knight & Cavusgil, 2004; Yiu, Lau & Bruton, 2007; Zhou et al., 2010). Product category was a categorical variable (1 = SMEs exporting industrial goods; 2 = SMEs exporting consumer goods). The results of Pearson correlation analysis revealed no serious correlation among variables.

Results

Cronbach's alpha coefficient for multi-item scale was all acceptable. Multicollinearity issue was not identified (VIF value was 1.73). A summary of a series of multiple regression was presented in Figure 1. All proposed eight hypotheses were accepted, except H2b and H4b. Further sub-group analysis showed

Figure 1: A summary of findings on the proposed research framework



Note. Firm size and firm age are controlled to test all hypotheses.
 *** $p < .001$.

Table 1: Results of Multiple Regression Analyses of Technological Capabilities on Performance by Product Category

	Independent variable	Coefficients			
		B	Standard error	β	t
Group 1: SMEs exporting industrial goods	Technological capabilities	.316	.072	.275	4.380***
	Control Variables				
	Firm size	.001	.001	.057	.903
	Firm age	-.014	.006	-.145	-2.302*
Group 2: SMEs exporting consumer goods	Technological capabilities	.777	.068	.598	11.470***
	Control Variables				
	Firm size	.001	.001	.059	1.097
	Firm age	.003	.005	.039	.720

* $p < .05$. *** $p < .01$

Discussion & Implications

Findings showed the positive effect of SME entrepreneurs' proclivity on organizational capabilities (technological capabilities and marketing capabilities), which enhanced SMEs' performance in international markets. However, domestic market competition only enhanced SMEs' marketing capabilities.

The findings of this study provide important implications. First, while the critical role of entrepreneurs' proclivity in international performance was discovered in previous studies, this study found that it is when entrepreneurs facilitate organizational capabilities, which directly promotes international performance. This implies that entrepreneurs' international proclivity itself does not automatically lead to international performance. However, this study did not test the mediating roles

of organizational capabilities; thus, future testing on the mediating role is encouraged. This study further discovered the role of domestic market competition in facilitating organizational learning, especially marketing capabilities. That is, in previous literature, competitive domestic market was only known to push SMEs to international markets. This study evidences that the role of domestic market competition is more than just pushing SMEs go international; it further encourages SMEs to develop their own capabilities for international expansion. This findings is particularly encouraging SMEs in small domestic markets, such as Korea, because competitive domestic market, in fact, can be an advantage since it does help them develop their capabilities.

One unique contribution of this study is that the critical role of SMEs' technological and marketing capabilities to their international performance is not equal across SMEs. Product category that SMEs export does moderate the organizational capabilities-performance links, which does advance our current understanding.

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Post-Entry Internationalization Patterns and Performance of Born Globals

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Extended Abstract

Introduction and Rationale

One popular research stream in small- and medium-sized enterprises (SME) is the emergence of born global (BG) firms that internationalize rapidly near their inception to the world's multiple lead markets such as US and Europe. These internationalization patterns of born globals have challenged the traditional Stage model (i.e., Uppsala model, Johanson & Vahlne, 1977), which views internationalization as an incremental process.

A couple of studies contrasted the internationalization patterns of BGs with traditional SMEs in terms of the extent of internationalization (e.g., scale, scope, etc.), the relevance of psychic distance, and entry mode choices (e.g., Kontinen & Ojala, 2012; Olejnik, & Swoboda, 2012). However, this comparison is rather descriptive and received limited empirical support. Very few examined post-entry behaviors of BGs; one recent study documented BGs' incremental pattern post-entry, contrary to the mainstream BG perspective (Johnson & Martín, 2015). Another lack of BG studies is the absence of understanding post-entry performance.

For the advancement of BG perspective, BGs' internationalization patterns including post-entry should be clearly understood. The purpose of this study is to compare BGs in the critical aspects of internationalization and performance by their ages. This study further examines BGs' post-entry characteristics and performance vary by product category they export.

Uppsala Model vs. Born Global and Hypotheses

Compared with the Uppsala model that posits firms' initial entry into psychically close countries and gradual resource commitment, BGs favor exporting as their primary entry mode and do not follow the established sequence (Bell et al., 2003; Olejnik, & Swoboda, 2012). This suggests that learning (as measured by market knowledge) and market commitment stay the same as the initial stage, not showing an incremental patterns as the U model suggests. In other words, if BGs exhibit the incremental patterns, the critical aspects of internationalization such as market knowledge, market commitment, internationalization scale and scope as well as performance should be different by

young and old BGs. However, following the mainstream BG perspective, this study posits that BGs post-entry internationalization patterns should be the same between young and old BGs. Based on this, below H1-H5 are proposed.

Opposite to the mainstream BG perspectives, recent study discovered BGs' entry into psychically close countries first (Hashai & Almor, 2004; Taylor & Jack, 2011). BGs were found to adopt market discovery route, regardless of psychic distance (Chandra, Styles, & Wilkinson, 2012). While BGs' progress of resource commitment after the initial export stage was not proved, Zou and Ghauri (2010) and Efrat and Shoham (2013) found BGs' initial choice of high commitment entry mode. A more recent study with 45 BGs in Spain discovered the possibility of a cumulative internationalization process (Johnson & Martín, 2015). Specifically, the study found that older BGs use more committed entry modes and exhibit more international experience than young BGs do, supporting incremental patterns.

This study views that the above inconsistent findings may be due to a sectorial difference. BGs exporting industrial goods (i.e., high-tech) may represent the true BG pattern while BGs exporting consumer goods (i.e., low-tech) may follow the incremental behaviors. Consumer goods require a thorough understanding of consumers in international markets and standardization is rather difficult; thus, it may not follow rapid and simultaneous expansion to major world's leading markets. Based on this, this study hypothesizes H6 testing a moderating effect of product category on H1-H5. H1-H5. There will be no differences between old and young BGs in the followings.

- H1. Market knowledge
- H2. Market commitment (number of entry mode used)
- H3. Internationalization scope (number of continents entered)
- H4. Internationalization scale (number of countries entered)
- H5a. Market performance
- H5b. Financial performance
- H5c. Strategic performance
- H6. Product category will moderate the above H1-H5. That is, H1-H5 will be accepted among BGs exporting industrial goods while H1-H5 will be rejected among BGs exporting consumer goods.

Method

A survey questionnaire was sent by email or fax to personnel at the executive level in 3,000 SMEs in Korea. Among 564 questionnaires returned (18.8% return rate), 480 data were entered into analyses excluding insincere and unqualified data. Measurement items were adopted from previous studies. A firm was classified as BG only if it internationalized beyond the Asian continent (i.e., scope) within three years of their inception (i.e., time) following previous criteria (Knight & Cavusgil, 2004; Kuivalainen, Saarenketo, & Puumalainen, 2012). This way, 230 cases were classified as BGs. Further, 86 BGs that are 2-15 years old were grouped as young BGs (37.4%) and 144 cases that are over 16 years old were grouped as old BGs (62.6%). Among 230 BGs, 69 cases export industrial goods (30.0%) and 161 cases export consumer goods (70.0%).

Results

The findings revealed that H1-H5 are accepted (Model 1 in Table 1) indicating that BGs do not progress incrementally. The moderating effect of product category was found in market commitment and market performance (Model 2 in Table 2); thus, H6 is partially supported. Further sub-group analyses revealed that contrary to our expectation, market commitment among old BGs was higher among BGs exporting industrial goods than BGs exporting consumer goods. This means that BGs in industrial goods sector possibly progress incrementally increasing their resource commitment.

Discussion & Implications

Overall, this study discovered the empirical evidence of BGs' post-entry non-incremental international patterns. This findings support exactly what mainstream BGs posit and did not lend support for recent discovery of BGs' incremental behaviors (e.g., Chandra et al., 2012; Johnson & Martín, 2015). This study contributes to the literature in providing empirical evidence of BGs' post-entry characteristics and performance with the biggest survey data set (230 BGs) to the best of our knowledge. Unique perspective this study suggests is a possible product category effect among BGs. While specific product category effect should be further examined, it is noteworthy that BGs' internationalization patterns might be different by product category they export. No differences between old and young BGs in five hypotheses may suggest the need of exploring how and what facilitates BGs' internationalization process. Current incremental related variables such as market knowledge and commitment, and the extent of internationalization may not fully explain BGs' evolution.

Table 1: Results of Hypotheses Testing: Logistic Regression Analyses

N=230

	Model 1				Model 2			
	B	Exp(B)	SE	p-value	B	Exp(B)	SE	p-value
H1. Market knowledge	.06	1.07	.22	.78	-.47	.63	.38	.22
H2. Market commitment	.22	1.24	.15	.14	.92	2.52	.39	.02*
H3. Internationalization (scope)	.05	1.05	.18	.78	.02	1.02	.26	.95
H4. Internationalization (scale)	.01	1.01	.03	.62	-.01	.99	.07	.85
H5a. Market performance	.05	1.05	.27	.87	.73	2.07	.39	.06
H5b. Financial performance	-	.70	.26	.17	.43	.65	.39	.27
H5c. Strategic performance	.36	1.43	.31	.24	-.34	.71	.47	.47
H6. Market knowledge x PC					.47	1.59	.45	.30
Market commitment x PC					-.86	.42	.43	.05*
Internationalization (scope) x PC					.10	1.10	.37	.80
Internationalization (scale) x PC					.01	1.01	.07	.86
Market performance x PC					-1.65	.19	.64	.01*
Financial performance x PC					.38	1.46	.64	.56
Strategic performance x PC					1.15	3.17	.75	.12
χ^2 (chi-square) (df)		6.13 (7)				20.73 (14)		
-2 log likelihood (-2LL)		279.55				264.95		
Cox & Snell R2		.028				.09		
Nagelkerke R2		.038				.12		
% of correct classification		63.1%				65.9%		

PC: Product Category * $p < .05$

Keywords

Born global, small- and medium-sized enterprises, firm age, internationalization, performance

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Information Privacy Discriminators of Facebook Intensity

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Extended Abstract

Facebook founder, Mark Zuckerberg, stated that he believes privacy is no longer a social norm since online users have become used to sharing their information online, resulting in lower levels of privacy expectations (Shapshak, 2012). Contrary to this belief, a recent study conducted by Stieger, Burger, Bohn and Voracek (2013) found that individuals who are quitting Facebook do so because they are concerned about their privacy. This behavior should be particularly important for Facebook as a platform considering the reported decline in users over the past few years, especially in developed countries (Garside, 2013).

Social networking sites, such as Facebook, require users to build an online profile by providing personal information. Thereafter, users are encouraged to post and share personal information as part of their online social interactions in building and maintaining social relations amongst likeminded people (Bornoe & Barkhuus, 2011; Hoy & Milne, 2010). Expectantly, the social network environment has led to an increased interest in information privacy, mainly due to the large numbers of users actively involved in social network systems, coupled with the amount of personal information revealed on such systems (Debatin, Lovejoy, Horn & Hughes, 2009).

The reality is that there is an inherent tension for users in terms of their desire for social interaction and connection, yet being confronted by the disclosure of personal information to enable these interactions (Bateman, Pike & Butler, 2011). The downside is that making personally identifiable information visible puts users at risk of a breach in their privacy (Acquisti & Gross, 2006). Some of the associated risks of making personal information visible include unwanted contact (including harassment or stalking), unauthorized use of personal information by third parties, identity theft and surveillance of users' online behavior (Debatin et al., 2009).

A number of theories have been explored to understand this phenomenon (or inherent tension). The uses and gratifications theory asserts that people use social network systems to fulfil their needs for entertainment, relationships and identity construction, and this overrides their privacy concern (Debatin et al., 2009). The third-person effect theory states that people expect social network systems to have greater consequences on others than themselves. As such, they do not believe that they are at risk, and as a result, their privacy concern diminishes (Debatin et al., 2009).

The purpose of this study is to investigate the differences between high and low Facebook intensity users on the basis of the importance these groups attach to aspects of privacy concern and reported privacy behavior. Several previous studies have examined the relationship between Internet experience or usage, and online privacy concern, with mixed results. On the one side, a few scholars report that users' level of privacy concern is not affected by the level of their Internet experience (Mohamed, 2010; Yao, Rice & Wallis, 2007). At the other end, scholars have shown that a positive direct relationship exists between users' Internet experience and their online privacy concern, since they are more aware of how data about them could be collected and used against their wishes (Beldad, de jong & Steehouder, 2011; Corbitt, Thanasakit & Yi, 2003; Singh & Hill, 2003). Adding to the debate, several scholars reported that users' privacy concern actually diminish as the level of their Internet usage and experience increases (Bellman, Johnson, Kobrin & Lohse, 2004; Cho, Rivera-Sánchez & Lim, 2009; Fogel & Nehmad, 2009).

In addition to the reported inconsistencies in previous research with regard to the relationship between privacy concern and Internet experience and/or usage intensity, little attention has been paid to reported privacy behavior and its relevance to usage intensity. Filling this gap is important, as it is relevant to know whether protective privacy behavior actually relates to users' Facebook intensity. Also, we expect that reported behavior will give marketers a greater sense of understanding of users, especially since we know that very few users engage in protective behavior, despite high levels of privacy concern (Debatin et al., 2009).

Further, none of the scholarly work to date has attempted to predict Facebook group membership in terms of usage intensity with regard to privacy concern and behavior. This suggests the need for research to identify those privacy attributes that contribute most to Facebook usage intensity. As such, this study contributes to existing theory in identifying those privacy attributes that contribute most to Facebook usage intensity.

In this context, a two-group stepwise discriminant analysis was performed where Facebook intensity was the categorical, dependent variable, and the 16 privacy concern and behavior variables the predictor independent variables. The target population consisted of undergraduate and postgraduate students studying at a large South African university. Conducting this study among students was considered to be appropriate as this age group represent the majority of active Facebook users in South Africa (Socialbakers, 2014). Data was obtained by collecting 575 surveys on campus via a nonprobability, convenience sampling method. The realized sample contained an equal proportion of male and female respondents. The majority of the respondents (89 percent) were between the ages of 18 and 22 years of age, with the remaining 11 percent between 23 and 30 years of age.

All the constructs (Facebook intensity, information privacy concern and online privacy behavior) were measured using a 7-point Likert-type response format ranging from strongly disagree (1) to strongly agree (7). The respective Cronbach's alpha values were 0.9, 0.79 and 0.71 for this study, showing internal consistency reliability (Nunnally, 1978). The scales were adopted from Ellison, Steinfield and Lampe (2007), Malhotra, Kim and Agarwal (2004) and Buchanan, Paine, Joinson and Reips (2007).

A stepwise discriminant-function analysis was used to build a step-by-step model of discrimination. The discriminant functions estimated were statistically significant with a p -value < 0.001 , resulting in a Wilks' Lambda value of 0.92606. Table 1 summarizes the five standardized canonical-discriminant coefficients that met the significance criteria for the inclusion and retention of the privacy-related items.

Table 1

Information privacy	Coefficients
Loss of control (Online privacy is invaded when control is lost or unwillingly reduces as a result of a marketing transaction)	-0.55632
Right to control (Consumer online privacy is really a matter of consumers' right to exercise control over decisions about how their information is collected, used and shared)	-0.52617
Spyware check (I check my computer for spyware)	0.44234
Control check (I watch for ways to control what people send me online, for example check boxes that allow opt-in or opt-out)	-0.36731
Awareness and knowledge (It is very important to me that I am aware and knowledgeable about how my personal information can be used)	0.35800

The findings indicate that the two most powerful discriminators among the five significant privacy-related items are: consumers' belief that control is lost through marketing transactions (-0.55632); and consumers' right to control decisions regarding the sharing of private information (-0.52617). An inspection of the mean discriminant scores (centroids) for each group reveals acceptable discrimination, as the mean values vary considerably (0.21634 for the low Facebook intensity group and -0.36778 for the high Facebook intensity group).

Finally, the results indicated that for the low Facebook intensity group, 58.8 percent of the variables were correctly classified and for the high Facebook intensity group it was 63.3 percent. The variables indicate a relative degree of successful prediction, as to which Facebook intensity group would consider the above-mentioned five privacy-related items, and which would not, with these groups being accurately classified 60.5 percent of the time.

The results provide an understanding of users' Facebook perceptions related to the levels of importance of privacy concern and behavior for Facebook users of both high and low Facebook intensity groups. Through the identification of the most important privacy concern and behavior aspects, the results give Facebook insight into the areas to focus on, in particular when considering the continuous evolution of the privacy model for this particular social networking site. Although the results of the study cannot be projected to a larger target audience or age group, it provides insight into the young user group of Facebook.

For high Facebook intensity respondents, there was a stronger association with being aware and knowledgeable on how their personal information could be used as well as taking action to check for spyware. For low Facebook intensity respondents, there was a stronger association with loss of control due to involvement in marketing transactions, right to control over how personal information is used as well as protecting their privacy by limiting sharing options. The findings have value for both privacy scholars and social network practitioners in terms of dealing with the issue of privacy for different Facebook users, with the aim to minimize the negative consequences of future Facebook interactions.

References available upon request.

Keywords

Online privacy concern, online privacy behavior, Facebook intensity

An Important Role of Financial Management in NGO sector

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Abstract

The proposed paper will stress upon the role and significance of financial management in NGO sector operating in a rapidly changing and competitive world, taking into consideration specifics related to NGO sector in Ukraine, especially nowadays due to unstable economic situation and lack of funding. As NGO sector in Ukraine is very young therefore it greatly depends on foreign funding. Furthermore, this tendency probably remains in the foreseeable future. As Ukraine is currently making important steps towards choosing its future path, in this case, we need to think of a way to solve the current crisis in NGO sector and country in general including specific ways of regulating all challenges.

In order to survive in this challenging environment, financial managers need to develop the necessary understanding and confidence to make full use of financial management tools and take innovative decisions for leading the NGO toward success. Due to the fact that financial management is a part of management as a whole, managers must pay attention to the bigger picture and look carefully at how the whole organization is financed in the medium and long term perspective. In practice, financial management is about taking action to take care of the financial health of an organization, and not leaving things on a matter of chance. It signifies planning, organizing, controlling and monitoring that the financial resources of an organization are used properly, and to the best effect, to achieve the organization's mission and objectives, and fulfil commitments to stakeholders.

The paper includes need for the principles, objectives and functions of financial management in NGO sector, financial planning, reporting, budget management, developing policies and procedures in compliance with law and standards, financial accounting system, internal and external control, role and functions of finance manager.

In order to achieve good practice in financial management need to ensure to build robust financial system, using proper records, policies and procedures; have an open and accountable systems, submit reports to all stakeholders in a timely manner, and have skilled employees, because financial management is fully integrated in program management.

The research concerns the role of financial management allows to draw some conclusions and set some recommendations for further investigation and study of materials and sources in order to reach new conclusions in the future taking into consideration specifics related to NGO sector in Ukraine.

Keywords

Non-governmental organization, financial management, financial accounting system, budget management

Investigating Television News Service Quality Dimensions: A Factor Analysis Approach

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Abstract

In recent years, we are witnesses of a tougher competition between different media to ensure an audience for their programmes and news delivery. Service quality can be identified as an opportunity to strengthen the competitive advantage and contribute to customer satisfaction and future loyalty.

The purpose of this study was threefold: a) to fill the current gap in the theoretical and empirical research of television news service quality; b) to empirically investigate the expected and perceived television news service quality; c) to investigate the relative importance of the service quality dimensions.

The results indicate that television news service quality did not match the viewers' expectations. The results have also shown a low rated television news performance with significant gaps and demonstrated a five-dimensional structure of expectations and six-dimensional structure of the perceptions of service quality.

The implications of the research are discussed and recommendations for managerial decisions and future research are given.

Keywords

Service quality, factor analysis, television news, Croatia

1. Introduction

With the emergence of the Internet, the introduction of various mobile phone technologies and the expansion of commercial broadcasting, the amount of information has grown inordinately (Costera Meijer, 2006). Audience members seek information for various purposes, especially for comfort, empowerment, learning, and knowledge to act (Mehrabani, Hassan & Ali, 2009), as well as for acquiring information about news. All the mentioned technologies offer new means on how to receive, follow and absorb news on a daily basis. With a greater choice and an increasing awareness, there is a continuous increase in the customers' expectations and they demand a better quality of service (Bala, Sandhu & Nagpal, 2011). Few would dispute that consumers have become increasingly more sensitive to product and service quality in recent years (Lee & Hing, 1995). Such developments have increased the competition and put higher expectations on news delivery.

According to a study conducted by the Pew Research Center (2011), television is still the most widely used news source; however, its usage is in a constant decline. On the other hand, Internet usage for the purpose of getting the news is growing. The number of adults using the Internet to find and read news online is consistently on the rise (Abdulla, Garisson, Salwen, Driscoll & Casey, 2002). The popularity of the Internet as a secondary source is specifically seen among the younger population, as reported by the European Audiovisual Observatory (2013).

The pressures of competition are forcing organizations to not only look on the processes but also on the way they are delivered (Seth & Deshmukh, 2005). Literature shows that the improvement of service quality is in the interest of every business; therefore, measurement of service quality should be acknowledged as an important part of television business as well in terms of improving television news, retaining and/or gaining viewers, and enhancing business operations. Also, it has been found that firms with comparatively higher levels of quality typically reap higher market shares and returns (Khan, 2003). Service quality can guide television's competitive strategies. Hence, it is highly recommended to investigate service quality and how it can be improved in the context of television news.

The structure of this paper is following: first, the importance of service quality for business is presented and the need for its measurement is explained; second, the research methodology is presented; third, based on the collected data, the results of the empirical research are explained; and finally the implications of the results are discussed and recommendations for the future are given.

2. Service Quality

From the literature review on quality, it has been found that early research efforts concentrated on defining and measuring the quality of tangible goods and products, while the seemingly more difficult services sector was ignored (Wong Ooi Mei, Dean, & White, 1999). The introduction of a quality management strategy in the service sector is difficult due to problems stemming from the definition and measurement of quality in this sector (Loureiro & González, 2009). Services are distinguished from products with four distinctive features - intangibility, heterogeneity, perishability, and inseparability. However, quality definition and measurement is essential if we wish to identify the strong and weak points of the service provided and to take steps, both operational and strategic, to elevate its quality (López Fernández & Serrano Bedia, 2005).

The concept of service quality started to be heavily investigated in 1980s and it can be defined in different ways. For the purposes of this study, we defined service quality as the customer's comparison between expectations (what the service should offer) and the perceptions (what the service actually offers). Such a definition was used by many researchers in the service quality field (Grönroos, 1984; Parasuraman, Zeithaml & Berry, 1988; Lehtinen & Lehtinen, 1991).

Service quality is a topic to which many authors tried to give their contribution in different fields by proposing different research models and methods. One of the most cited and widely used is the SERVQUAL model developed by Parasuraman, Zeithaml & Berry (1985) which is based on five gaps (Mursaleen, Ijaz & Kashif, 2014):

1. Consumer expectation-management perception gap: The difference between customer expectations and management perception of customers' expectations;
2. Management perception-service quality specification gap: The difference between management perceptions of customer expectations and the translation of these expectations into service standards;
3. Service quality specifications-service delivery gap: The difference between actual service delivery by frontline in a high contact service and the specifications perceived by management;
4. Service delivery-external communications gap: The difference between promises made through different marketing communications and actual service delivery;
5. Expected service-perceived service gap: The difference between customer expectations of service quality and customer perceptions of service quality.

The original scale was developed by investigating five services and it initially contained ten dimensions of service quality: tangibles, reliability, responsiveness, understanding the customers, access, communication, credibility, security, competence and courtesy. However, later authors have reduced it to the five dimensions that are traditionally used today: reliability (measured by 5 items), assurance (measured by 5 items), responsiveness (measured by 4 items), empathy (measured by 4 items) and tangibles (measured by 4 items). The gap score (G) is calculated on an item-by-item basis as the difference between the raw perception-of-performance score (P) and the raw expectations score (E) (that is, $G = P - E$) (Ladhari, 2008).

The SERVQUAL model has been used in the research of many different types of services; however, it needs to be customized for each field in which it is used. The fields where SERVQUAL has been used are (the list is not exhaustive): restaurants (Lee & Hing, 1995), travel agencies (Lam & Zhang, 1999), hospitality (Wong Ooi Mei et al. 1999), ecotourism (Khan, 2003), hotel industry (Marković, 2013; López Fernández & Serrano Bedia, 2005), banking industry (Ladhari, 2008), rural tourism (Loureiro & González, 2009), life insurance (Bala et al. 2011), public transportation (Randher, Al-Motawa & Vijay, J., 2011), theme parks (Tsang, Lee, Wong & Chong, 2012), museums (Cheng & Wang, 2012), the telecom sector (Prabhakar & Ram, 2013) and news channels (Mursaleen et al. 2014).

The last mentioned study of Mursaleen et al. (2014) investigated news channels in Pakistan by applying a modified SERVQUAL scale to fit with media service quality research settings and used a 29-item scale. Their results discovered gaps in service quality, but the study confirmed that the SERVQUAL scale is a good fit for the measurement of service quality in a media context which is a finding relevant to our research.

Despite the criticism it received from certain authors (Babakus & Boller, 1992, Buttle, 1996), SERVQUAL is a generic instrument with good reliability, validity, and a broad applicability (Khan, 2003); therefore, it is justified to use a modified SERVQUAL to investigate service quality of television news as the central focus of this research and to add new insights to service quality literature measurement in the field of television media, especially television news.

3. Research Methodology

The main purpose of this study was: a) to fill the current gap in the theoretical and empirical research of television news service quality; b) to empirically investigate the expected and perceived television news service quality; c) to investigate the relative importance of the service quality dimensions.

The objective of the study is to answer the following research questions:

1. What is the level of viewers' expectations regarding television news service quality?
2. What is the level of viewers' perceptions regarding television news service quality?
3. What are the differences between perceived and expected service quality in television news?
4. What are the key dimensions of service quality expectations in television news?
5. What are the key dimensions of service quality perceptions in television news?

According to the research questions, the following 6 hypotheses were proposed:

H₁: Overall expectation of the television news service quality is high.

H₂: Overall perception of the television news service quality is high.

H₃: Responsiveness is the highest expectation service quality dimension.

H₄: Empathy is the highest perceived service quality dimension.

H₅: The SERVQUAL model and its dimensions are relevant and reliable in the television news context.

H₆: The modified SERVQUAL model will exhibit multiple dimensions in the television news context.

Primary data were collected by means of a self-administered questionnaire. The questionnaire consisted of three parts, designed to measure the expected and perceived service quality, as well as the demographic profile of the respondents. Based on the literature review the model was modified to meet the specific features of the television news service. The level of expected and perceived service quality was measured with 32 items adopted from the Mursaleen et al. (2014) and Marković et al. (2013) study. The data were gathered during a 2 week period in October 2014. The survey instrument investigated the service quality of the national public service broadcaster in Croatia and its television news. A total of 212 questionnaires were returned. The sample size is based on the recommended minimum level of at least five times as many observations as the number of variables to be analyzed (Hair et al., 2006). An online survey was conducted through a social network. The expected and perceived service quality was assessed by a 5-point Likert-type scale, ranging from "strongly disagree" (1) to "strongly agree" (5). The questionnaire was prepared in the English language and translated into the Croatian language. The questionnaire was accompanied by a written explanation clarifying the aim of the research and promising anonymity to the respondents. Data were analyzed using a software package for statistical analysis SPSS 20. Descriptive statistics were adopted to measure the perceived service quality of respondents. Reliability analysis was performed to test the internal consistency of factors by using the Cronbach's alpha coefficient. Factor analysis was performed to identify the main factors of expected and perceived television news service quality.

4. Results of the Research

In line with the research questions and hypotheses, statistical analysis was performed and the following results were obtained.

4.1. Demographic profile

Table 1: Demographic profile of respondents (n=212)

Items	Percentage	Items	Percentage
Gender		Age	
Male	29.2	20 and less	1.4
Female	70.8	21-30	66.5
		31-40	15.2
		41-50	9.4
		51-60	7.5
		61 and above	0.0
Level of education		Occupation	
Secondary school	20.9	Unemployed	15.1
College and university	72.2	Employed	69.3
MSc or PhD	7.1	Student	15.6
		Retired	0.0
How often do you watch TV?			
Rarely	15.6		
Once a week	5.2		
Several times a week	30.2		
Daily	49.1		

Source: Authors

The results of the demographic profile have reported that 71 percent of the respondents were female, while just 29 percent of the respondents were male. According to the age distribution, about 67 percent of the respondents were between 21 and 30 years old and no one older than 60 years. The majority of the respondents (72 percent) completed college or a university education and almost 70 percent were employed. Half of the respondents watched TV on a daily basis and just 16 percent rarely watched TV.

4.2. Expected and perceived television news service quality

Viewers' expectations and perceptions are measured on a five-point Likert-type scale, where the higher the score, the higher the expectation or perception of television news service quality is.

The mean scores of viewers' expectations range from 2.73 to 4.95. The lowest expectation items were "entertaining news" (2.73), "depict a positive picture" (3.03) and "do not disturb the safe home environment" (3.27), while the highest items were "provide truthful information" (4.95), "source of information" (4.83) and "depict true picture of politics" (4.80). The overall mean score for service quality expectation items was 4.18. This score indicates high expectations of the television news service.

The analysis of viewers' perceptions indicated that the mean scores range from 2.39 to 4.71. The lowest perception items were "entertaining news" (2.39) and "guide the youth" (2.50). On the other hand, the highest perception mean scores were "broadcast at the accurate time" (4.71), "anchors behave in a decent manner while discussing serious issues" (4.23) and "share news and other information at time convenient for viewers" (4.14). The overall mean score for service quality perception items was 3.31. This score indicates that there is a lot of room for improvement.

The gap analysis of expectations and perceptions scores for each item indicates 30 out of 32 negative gaps. The perceptions were higher than their expectations only in the following items: "do not disturb the safe home environment" (0.33) and "clean and neat anchors" (0.05). The overall gap is also negative (-0.61), implying that television news service did not match the viewers' expectations.

According to the dimensions, all five gaps were negative. The largest gap was noted in the dimension “responsiveness” (-1.21) while the smallest in the dimension “tangibles” (-0.31). The overall gap was -0.87 indicating viewers’ dissatisfaction with television news service quality.

Comparing the results with Mursaleen et al. (2014), the largest gap was found in the difference between the expected and perceived quality in items belonging to the “assurance” dimension (1.28). The dimension “responsiveness” has been evidenced as the second highest gap (1.13). The smallest gap was found in the dimension “empathy” (0.44), while in this study “empathy” was the second smallest gap (-0.61). It has been also noted that all five overall gaps in the Mursaleen et al. (2014) study were positive.

4.3. Television news service quality dimensions

The objective of factor analysis was to identify the main factors of expected and perceived television news service quality, using the principal component method with a varimax rotation. The results are presented next.

Table 2: KMO and Bartlett’s test for expectations and perceptions scales

Tests		Expectations (n=212)	Perceptions (n=212)
Kaiser-Meyer-Olkin’s Test (KMO)		0.859	0.931
Bartlett’s Sphericity Test	Chi-Square	2833.560	4206.918
	Degrees of freedom (df)	496	496
	Sig.	0.000	0.000

Source: Authors

As is shown in Table 2, KMO values for the expectation (0.859) is high, indicating sufficient items for each extracted factor. The Bartlett’s Test for the expectations scale is significant ($X^2=2833.560$, $df=496$, $Sig=0.000$) indicating that the variables are not unrelated and therefore suitable for structure detection. It is justified to conduct an exploratory factor analysis.

Table 3: Factor and reliability analyses for expectations and perceptions scales

EXPECTATIONS (n=212)					PERCEPTIONS (n=212)				
Items (32)	Factor loading	Eigen value	% of Var.	Alpha value	Items (32)	Factor loading	Eigen value	% of Var.	Alpha value
Factor 1 – “assurance”					Factor 1- “responsiveness”				
		4.330	13.532	0.871			7.050	22.030	0.931
V-32	0.747				V-10	0.774			
V-18	0.742				V-14	0.751			
V-17	0.706				V-11	0.744			
V-26	0.693				V-9	0.729			
V-14	0.654				V-17	0.705			
V-22	0.610				V-15	0.699			
V-21	0.586				V-18	0.660			
V-8	0.447				V-12	0.653			
Factor 2 – “responsiveness”					Factor 2 – “empathy and reliability”				
		3.542	11.068	0.859	V-4	0.621			
V-11	0.813				V-22	0.523			
V-9	0.770				V-8	0.519			
V-10	0.735				V-26	0.517			
V-12	0.718						4.377	13.679	0.891
V-1	0.716				V-29	0.679			

EXPECTATIONS (n=212)					PERCEPTIONS (n=212)				
Items (32)	Factor loading	Eigen value	% of Var.	Alpha value	Items (32)	Factor loading	Eigen value	% of Var.	Alpha value
Factor 3- "empathy"		3.296	10.301	0.804	V-13	0.636			
V-29	0.750				V-3	0.615			
V-28	0.653				V-1	0.607			
V-30	0.622				V-2	0.579			
V-31	0.599				V-31	0.575			
V-16	0.489				V-28	0.512			
V-20	0.461				V-30	0.504			
V-15	0.461				Factor 3 - "tangibles"		2.586	8.081	0.834
V-19	0.392				V-24	0.875			
Factor 4 - "tangibles"		2.138	6.682	0.778	V-25	0.838			
V-24	0.848				V-23	0.586			
V-25	0.825				Factor 4 - "anxiety"		2.553	7.978	0.789
V-23	0.484				V-5	0.730			
Factor 5		2.016	6.299	-	V-21	0.675			
V-4	0.756				V-32	0.588			
V-13	0.644				Factor 5 - "assurance"		2.310	7.220	0.745
Factor 6 - "reliability"		1.916	5.987	0.504	V-20	0.748			
V-3	0.430				V-16	0.694			
V-7	0.743				V-19	0.536			
V-2	0.600				Factor 6 - "informative"		2.011	6.283	0.550
Factor 7		1.425	4.452	-	V-6	0.755			
V-5	0.801				V-27	0.676			
Factor 8		1.388	4.336	-	V-7	0.535			
V-27	0.723								
V-6	0.509								
TOTAL		20.051	62.658	0.910	TOTAL		20.887	65.271	0.951

Source: Authors

The internal consistency of the modified SERVQUAL items was assessed by computing the total reliability scale. The Cronbach's alpha coefficients of the extracted expectations factors ranged from 0.504 to 0.871. To show reliable data, the Cronbach's alpha coefficients must be greater or equal to 0.5 (Nunnally, 1996). The overall Cronbach's alpha coefficient for the expectations scale was 0.910, indicating an overall reliability factor and that the items of the five dimensions of the modified SERVQUAL model are accepted for analysis.

As shown in table 3, expectation scale items of the television news were reduced to eight factors explained by 62.7 percent of total variance in the data. Factor loadings were relatively high, ranging from 0.395 to 0.848. This indicates that the correlation of the items with the factors on which they were loaded was reasonably high. However, factor 5, factor 7 and factor 8 contained less than three items and could not be considered as factors. Thus, the final version retained five factors that represent the main dimensions of expected television news service quality. The five factors of the expectation scale were interpreted as follows:

- Factor 1 – "assurance" includes eight items referring to broadcasting news.
- Factor 2 – "responsiveness" gathered five items reflecting educational news.
- Factor 3 – "empathy" contains eight items related to sharing and providing information.
- Factor 4 – "tangibles" includes three items related to the tangible visual appealing of the studio.
- Factor 6 - "reliability" includes three items reflecting the information broadcasted at the news.

Furthermore, the results of the factor and reliability analysis of the viewer's perceptions are provided. The KMO value is high and scores 0.931, indicating sufficient items for each extracted factor. The Bartlett's Test is significant ($\chi^2=4206.918$, $df=496$, $Sig=0.000$) meaning that there are strong correlations between the items in each factor. It is therefore justified to conduct an exploratory factor analysis.

The results of the reliability analysis showed that Cronbach's alpha coefficients of the extracted perceptions factors ranged from 0.550 to 0.931. These values suggest a good internal consistency of the factors. The Cronbach's alpha value for the overall perceptions scale was 0.951, indicating its high reliability.

The analysis of the perceptions scale extracted six factors, explaining 65.3 percent of the total variance in the data. Factor loadings were relatively high, ranging from 0.504 to 0.875. They indicate that the correlation of the items with the factors on which they were loaded is reasonably high. The remaining six factors for the perceptions scale were interpreted as follows:

- Factor 1 – “responsiveness” included 12 items related to responsive information content.
- Factor 2 – “empathy and reliability” gathered 11 items reflecting reliable information.
- Factor 3 – “tangibles” included three items referring to studio facilities.
- Factor 4 – “anxiety” is loaded with three items and refers to broadcasting news without anxiety.
- Factor 5 – “assurance” contains three items and indicates professional public appearance.
- Factor 6 – “informative” included three items related to newest information and broadcast at the accurate time.

The following table shows the results of the descriptive statistics for expected and perceived television news service quality dimensions.

Table 4: Descriptive statistics for expected and perceived television news service quality dimensions

Scale/Factor	Number of items	Mean	SD
Expectations scale			
Assurance (F1)	8	3.51	0.840
Responsiveness (F2)	5	4.21	0.787
Empathy (F3)	8	4.46	0.528
Tangibles (F4)	3	3.78	0.855
Reliability (F6)	3	4.48	0.298
Perceptions scale			
Responsiveness (F1)	12	2.78	0.748
Empathy and reliability (F2)	8	3.48	0.716
Tangibles (F3)	3	3.73	0.766
Anxiety (F4)	3	3.24	0.869
Assurance (F5)	3	3.64	0.800
Informative (F6)	3	4.23	0.624

Source: Authors

Table 4 indicates that for the television news viewer the most important expected service quality dimension is “reliability” (mean 4.48), followed by “empathy” (mean=4.46), “responsiveness” (mean=4.21), “tangibles” (mean=3.78), and “assurance” (mean=3.51). These results indicated that television news viewer expectations could be described by five relatively highly rated main features.

On the other hand, television news viewers' perceived “informative” (mean=4.23) as the most dominant perceived service quality dimension, followed by “tangibles” (mean=3.73), “assurance”

(mean=4.64), "empathy and reliability" (mean=3.48), "anxiety" (mean=3.24), and "responsiveness" (mean=2.78). These results indicate an average and low rated television news performance.

5. Conclusion

The competition between different media is getting intense and new challenges are put in front of television management and television news. By gaining a better understanding of what viewers expect and want, the management will be able to keep a strong relationship with existing viewers and attract new ones. Service quality is the ingredient that can help to deliver more satisfying news and provide a sustainable and competitive edge.

This paper aimed to show the importance of theoretical and empirical research of television news service quality. For the purpose of this paper, six hypotheses were tested and the results of the analysis revealed that three hypotheses have been supported and three have been rejected. To test the hypotheses, descriptive statistics and factor analysis were performed.

The findings from descriptive data analysis provide evidence to support H_1 and to reject H_2 . Viewers' expectations of television news are high (4.18) and viewers' perceptions of television news service quality are low (3.31). Results demonstrated that there are important gaps in the news television service quality, with 30 out of 32 negative gaps indicating an insufficient level of service quality. Also, these results clarify the specific areas of service quality on which management should put extra attention, systematize their operations and accomplish satisfaction of television news viewers.

According to the dimensions, all five gaps were negative. Hypotheses three and four were not accepted since the most important expected service quality dimension was "reliability" and the most important perceived service quality dimension was "informative". Furthermore, it was expected that the SERVQUAL model and its dimensions were relevant and reliable in the television news context which was confirmed with the Bartlett's Test and the Cronbach's alpha value; therefore, H_5 is accepted. This suggests that the modified SERVQUAL model for measuring television news service quality could be an important tool for helping Croatian Radiotelevision managers to improve their service quality and to ensure future public satisfaction. Lastly, hypothesis six is also accepted since the results of factor analysis demonstrated a five-dimensional structure of expectations and six-dimensional structure of the perceptions of television news service quality.

This study is not free from limitations. First, the distribution of responses across gender and age should be more even. Additionally, most respondents have completed college or a university education, which may have an impact on expectations, as well as the understanding and processing of information given by the television news. Also, the conclusions of this paper are somewhat limited with regard to generalizability since the study was conducted only on Croatian participants. Another limitation of the study was that answers regarding expectations and perceptions were collected at the same time. Since the national television news air every day, there was no possibility to confine these two concepts. In other words, viewers have already seen the television news in the past, so there was no possibility to examine their expectations in connection to a first-time viewing

Based on the findings of this research, the following research possibilities are given. Future research could explore the connection between service quality, satisfaction and loyalty in the context of television news; this would add to a further understanding of experience connected with television news. Another promising area for future studies can be to investigate the news service quality of different media sources as experienced by the same costumers; such an investigation would provide a comprehensive picture of news service quality across the media space and help managers better

understand what certain media can and should offer in terms of service quality and how to improve the customers' experience.

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Self-Verification Is Priceless: Identity as Drive in Consumption When Spending Power Is Limited

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Extended Abstract

The self plays a very prominent role in modern society as evident in the growing phenomenon to tell the whole world how unique and different one is. For example, one must care for oneself (as is apparent in well-being and health trends), express oneself (evident through the social media boom) and control oneself (based on the socially accepted norms of society). Consumers within this society would therefore primarily focus on the needs of the self. This is reflected in how marketers craft marketing strategies to satisfy such needs.

The centrality of consumers' needs in marketing strategies is grounded in the marketing principle, which entails satisfying consumers' needs better than competitors (Hou, 2008). It is therefore accepted that consumers use products, services and experiences to satisfy needs. However, need satisfaction extends much further than merely serving a utilitarian function. Consumers attach themselves to brands and brands add meaning to consumers' lives (Belk, 1988; Fournier, 1998). A recent debate considered how consumption influences consumers, where it was argued that experiences (experiential consumption), provide more satisfaction and pleasure for consumers than possessions (material consumption) (Gilovich, Kumar & Jampol, 2015b). For this debate, possessions and experiences were regarded as two separate utilities on opposing sides of a single continuum. It is furthermore argued that consumers may derive more enjoyment from consuming less, as abstaining from something might enhance the pleasure derived from occasional consumption (Dunn & Weidman, 2015). Three psychological processes, namely social connection, identity and comparison, were presented as possible reasons why consumers derive more enduring satisfaction from experiential consumption than material consumption (Gilovich, Kumar & Jampol, 2015a). In response, Schmitt, Brakus and Zarantonello (2015) argued that possessions and experiences are, however, not opposites of the same continuum. Schmitt et al. (2015:170) concluded that consumers do not acquire, use and dispose of products and services to satisfy needs, but rather purchase brands and the brand experience associated with brands through relationships and attachments. This paper focuses on commercially branded products in an exchange between a buyer and seller and argues that consumers' selves are critical when spending power is limited for all consumption decisions (be it with regards to products, services, possessions or experiences). More specifically, as proposed by Reed, Forehand, Puntoni and Warlop (2012), this paper focuses on what identity in terms of the self is used for, rather than discussing the various definitions thereof.

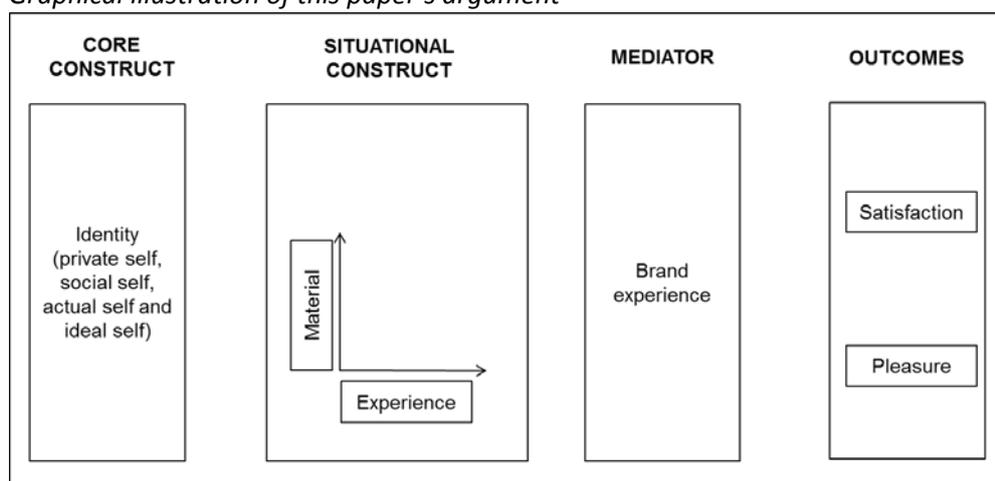
When brands are visible, consumers can conspicuously showcase their selves or, parts of their selves (Gilovich et al., 2015a). Consumers thus use brands to express, define and portray their identities (Belk, 1988; McCracken, 1989; Tuškej, Golob & Podnar, 2013). The nature of identity is complex as consumers fulfil multiple roles, each with specific expectations regarding 'socially correct behaviour' (Stryker & Burke, 2000). These multiple roles thus create various personas for each consumer which must be integrated into a single identity for each consumer. However, these identities can

furthermore relate to how consumers would like others to view them and/or the views consumers hold of themselves (Escalas & Bettman, 2005; Schmitt, 2012) and/or how consumers view themselves in relation to others (Ahuvia, 2005). From this contention, it's evident that multiple reasons for using brands in identity construction exist; consumers have an individual private self (view of the self), as well as a social self (how the self is viewed or would like to be viewed by others), and an actual self (the self in the current state) as well as an ideal self (aspiring self or the self in future), all of which must be unified as a personal identity. Through sharing this unified identity in their environments, consumers verify this unified identity (Swann & Read, 1981).

Belk (2014) maintains that a post-ownership economy is developing, because consumers' consumption behaviour is no longer tied to possessions but rather to what they share with others, both online (in a digital environment) and offline. To share entails not only an understanding of the symbolic meanings, but also the successful transfer of meaning between consumers, or between brands and consumers (McCracken, 1989). For example, when a consumer wears a particular clothing brand, the logo on the clothing item only has meaning for observing others if they share the meaning tied to the logo. This indication of affiliation would thus be lost if it is not understood and transferred to others in the environment. Meaning is therefore shared in an environment filled with social connections.

It has been reasoned that hedonic benefits and social connections with others create an intense passion derived from purchases, which, in turn, result in the increased probability of incorporating possession into consumers' identities (Gilovich et al., 2015b). However, based on self-verification theory, consumers will act to create a reality both for themselves and in the social environment to verify their contentions of themselves (Swann & Read, 1981), that is, consumers' identities. It is argued that identity should not be regarded as an afterthought of consumption, but rather as the drive especially when consumers' spending power is limited. If every consumption choice matters (due to limited resources), it's the interplay between function and symbolic value that impacts consumers the most. Irrespective of product, service, possession or experience, and how these may overlap and differ, when consumers' resources are constrained, that which the consumer can use to benefit from either the private or social self, actual or ideal, will be consumed. This argument can be graphically illustrated as follows:

Graphical illustration of this paper's argument



This paper thus adds to the recent conversation regarding possessions and experiences (Dunn & Weidman, 2015; Gilovich et al., 2015a; Gilovich et al., 2015b; Schmitt et al., 2015), arguing for the importance of incorporating consumers' selves into the proposed model. In summary, utility alone will not suffice when the going gets tough and consumers have limited spending power. Therefore,

marketers should consider how each utility function of their offering is linked to the symbolic meaning for the consumer's self. As consumers can use only those brands representing a clear and rich picture of the type of person who consumes the brand to portray identities (Reed et al., 2012), it is proposed to focus marketing strategies on strengthening brand equity through the brand equity pyramid of Keller (2001) focussing on brand identity, creating brand resonance and resulting in brand relationships with consumers.

Keywords

Identity, self-verification, brand experience

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Changing Paradigm in the Energy Industry by Developing New Socially Responsible Business Model

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Extended Abstract

Purpose

This paper focuses on hypothesis that suggests the following: '*A business model of energy company management, should include social responsibility during the implementation of business activity.*' Research emphasizes on triple bottom line (TBL) theory introduced by John Elkington by putting highlight on social, economic and environmental outputs of the companies. Economic crises, European Union directives, limited natural resources and new technologies have changed the landscape of the energy industry. Managers have to rethink the strategy and focus on new opportunities by designing innovative business models to have competitive advantage in such a challenging and fast developing industry moreover making emphasis on sustainable solutions.

Design/methodology/approach

The initial review is based on qualitative interviews with top managers of energy production companies in Latvia. Furthermore analysis of the literature associated with the research as well as critical comparative analysis will be presented in the article.

Findings

After performing the analysis of subject theme literature, including case studies, the author has found that there are many different business models with same purpose, maximizing profit for company shareholders. We believe that in modern days, companies have much broader purpose and have to take in consideration stakeholder interests and expectations. New business models oriented on social responsibility have to be designed by offering new value-added products. In addition, the issues are new and currently valid as there are many discussions about energy industries and their future development. Economic crises is the good driver for change, forcing managers out of their comfort zone not trying to solve problems but instead searching for new solutions and opportunities. On the first of January 2015 Latvia opened the electricity market, switching from one company monopoly to bringing new players in the market. What impact this decision made? What was the main idea behind that and how it worked in reality will be discussed in the article as well as new challenges and opportunities that electricity production companies are facing in turbulent economic environment will be debated.

Research limitations/implications

Lack of science literature elaborations, concerning business models focused on social responsibility, especially in the light of demanding European Union and World standards. The present study provides a starting-point for further research in the international energy production sector.

Originality/value

The presented thesis is of descriptive and research type nature and its results have possible application in energy company units. The article will present the information about Latvian energy

industry market. This knowledge could be further analysed with other countries energy markets as well as comparison of different counties experience in energy industry management.

Keywords

Management, CSR, sustainability, business models, energy production, TBL, process design, energy industry, changing paradigm

Disaster Risks And Incentives For Investing In Business Continuity Plans: The Case of Small and Medium-sized Enterprises in Global Supply Chains¹

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Abstract

Natural hazards have been a frequent and regular threat to the mankind throughout the history. In recent decades, they have further interacted with expanding supply chains and production networks to cause even greater impact on the economies and welfare of the nations, and this is especially so in the Asia-Pacific region, for two reasons. First, the Asia-Pacific region, in particular the East and Southeast Asia region, has been especially prone to a variety of natural hazards. Secondly, this is a region where growth of cross-border supply chains has been among the fastest in the world in the past few decades.

This paper explores the nature of these links (between natural hazards and supply chains), which we hope will shed light on determining how best to address these links. After brief reviews of the nature of the economic impacts of natural hazards and available tools to address these impacts, the discussion focuses on Business Continuity Plans (BCPs) and explores the reasons for their low rates of adoption, especially among the small and medium-sized enterprises (SMEs).

The issue has to do with the nature of supply chains. After characterizing some typical supply chains, the paper considers the position and role of SMEs within these chains. It analyzes the incentives a SME might or might not have to adopt and implement a BCP, compared with a large or lead enterprise within the chain, in a variety of situations. We argue that just as a typical supply chain is led by a lead firm or firms, effective adoption and implementation of BCPs within a supply chain has also to be led by lead firms. On their own, SMEs are unlikely to adopt and implement effective BCPs.

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Inequality, Growth, and Social Sector Policies: Theory and Implications for PRC

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Abstract

The paper explores the relationship between income inequality, economic growth, and social sector policies. It argues that there exist a structural component and a policy component to income inequality in the course of economic development. While the former appears to operate very much according to its own logic, the latter would enable a country to counteract it to keep the overall profile of income inequality within limits through various minimum income and social protection policies. For China, it is particularly crucial to apply these policies fairly early on in the course of economic development. Its large economic size necessitates a need for expanded domestic demand fairly early on, and active social sector policies could help achieve this goal. Active social sector policies could also contribute to long-term human capital accumulation which is much needed by the country. The paper discusses these issues within a human capital-based model of development, and explores the implications of this model both for interpreting past growth successes of China, and for it to meet its future challenges.

Keyword

Inequality, growth, social sector policy, China

Ethnic Entrepreneurship in a Socially Segregated Community: Norrby, Borås, Sweden

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Abstract

In the district Norrby in the city of Borås in the south of Sweden there is a range of businesses run by people with an immigrant background, mainly from Southern Europe and the Middle East. The main purpose of the article is to achieve an understanding of how people with immigrant backgrounds experience what it means to own and operate a business in a so-called segregated area. The focus will be on how they relate to their situation and identity as self-employed.

In the case of the interviewed entrepreneurs in Norrby emerges a pattern that they see self-employment as primarily a mean to support themselves, and not as something started mainly because they had a specific innovation. Some are well educated, but have not been able to find work in Sweden representing their education or skill level, and therefore has become self-employed instead.

Keywords

Immigration, entrepreneurship, ethnicity, social segregation, mixed-embeddedness

1. Introduction

In this article I will first present and some criticize theories about why people with immigrant- and minority background will become self-employed. Then I will present a model that is rooted in the so-called "mixed-embeddedness-perspective". Finally, I will describe how it looks in a Swedish context and refer to an empirical case study.

2. Theories of Immigrant and Minority Business

Over the past 40 years there has been a large migration from a number of third world countries to the industrialized West. In particular, many former colonial countries like France, Britain and the Netherlands have received people from their ancient colonies. But also emigration to the US has been significant since the country opened up its borders in the mid-sixties. This has led to an extensive research into the effects that this great wave of immigration has caused for these countries. In particular, the presence of immigrant and minority business is a notable phenomenon. In order to understand and analyze this phenomena two main social science perspectives has gained a strong position; the economic and the sociological.

The economic perspective is based on the so-called rational-choice theory, which assumes that individuals or actors can choose from a range of options and then selecting the one that maximizes their (economic) benefit. A contribution from George Borjas have shown that people with immigrant or minority backgrounds choose to become entrepreneurs if they this way may have higher incomes than as employees (Borjas, 1986; Borjas, 1994). Not the least, this is a factor that sometimes motivates people to immigrate, i.e. a desire to earn a higher income as self-employed or employed in the new country than was the case in the land of origin. Another contribution from Timothy Bates (1997) emphasizes the role of higher education, i.e. that human capital has the propensity for members of various immigrant or minority groups to start their own business. Second, Bates has shown that those immigrants who have access to financial capital when they arrive in a new country tend to start businesses at a relatively large scale.

When sociologists are doing research about why people with immigrant or minority backgrounds become self-employed they often take into account a large number of explanatory factors. An often used distinction is that between structural and cultural factors (Kloosterman, 2010; Rath, 2000). These are the two key factors used, sometimes separately, sometimes together, in the models that try to give "explanations" for why immigrant persons belonging to certain groups have become self-employed. Structural factors or conditions are assumed to be the conditions prevailing in the country in which the immigrant people start and run their businesses; examples of structural factors are legislation, market conditions, and if there is any presence of exclusion or "discrimination" in the labor market. Cultural factors are assumed to be either the characteristics of entrepreneurs belonging to a particular ethnic group or the group as a whole; e.g. level of motivation, "spirit", religious affiliation, etc.

A contribution within the sociological paradigm regarding minority employment is the theory of the "middle-man minorities". It has been shown that persons belonging to for example, Jewish, Indian and Chinese minorities often are taken "niches" in a number of countries and communities where they either sell certain goods or perform certain services which the majority population would otherwise not have access to (Blalock, 1967; Bonachic, 1973).

Within the sociological perspective on immigrant and minority business is highlighted in particular the importance of so-called ethnic (social) networks (Light & Gold, 2000; Lin, 2001). If persons as members of an immigrant group face obstacles from the majority population to get into the

community; primarily exclusion and discrimination in the labor market, they can instead by working within the group finance companies or employ one another within the ethnic network.

In the book *Ethnic Entrepreneurs - Immigrant Business in Industrial Societies* from 1990 sociologists Roger Waldinger, Howard Aldrich and Robin Ward present a model that has gained importance in the study of immigrant and minority enterprise in industrialized countries (Waldinger, Aldrich & Ward 1990). There are essentially two main factors called the opportunity structure and group characteristics, and to those four connected sub-factors, as well as an intervening third main factor called ethnic strategies, which they believe should be taken into consideration in order to provide an explanation for why people belonging to certain immigrant groups tend to become self-employed.

This model has come to inspire the research on immigrant and minority enterprise in particular the US, but also in the UK and Holland. One problem is that it is not clear or explicit in how the various factors accurately relate to each other causally, some factors also occur multiple times in the model. Another problem is that it is considered to put too much emphasis on cultural and/or ethnic factors where the structural factors, i.e. the opportunity structure, mainly forms a framework within which certain individuals or groups can act. A lack of clarity in the model is especially the use of the concept "ethnicity", where the individual or the "ethnic entrepreneur" tends to be reduced to being merely part of a "group property", i.e. a "cultural factor". In response to this criticism, it has been developed a more sophisticated analytical model known as "mixed-embeddedness" model.

3. Identity, Social Networks and Institutions: A "Mixed-Embeddedness" - Model

The concept of embeddedness was introduced as a paradigm of immigrant and minority self-employment by Portes and Sensenbrenner (2001), as an attempt to modify the "Opportunity Structure" - "Group characteristics" model. This concept refers to that (economic) action always takes place in the context of different network relationships. This was an effort to, among other things, to provide an alternative to the adoption of the neoclassical economics of economic rationality, by stressing in particular the role the social network or social capital has for so-called ethnic or immigrant entrepreneurship. Later, this approach also come to include the institutional context in which people with immigrant or minority backgrounds start businesses.

The main argument in this perspective is that the conditions for entrepreneurship must be interpreted in relation to the context or different levels which the entrepreneur and his business are embedded in. This has since come to be called the "mixed embeddedness" - perspective (Engelen, 2010; Jones & Ram 2007; Kloosterman, 2010; Kloosterman & Rath, 2001). It emphasizes the different economic, institutional and social context or contexts that are important to study in order to understand and explain why people belonging to certain immigrant groups start and run their own businesses.

This "mixed embeddedness"- approach thus takes into consideration both how those who start businesses are anchored in social networks (especially ethnic networks) but also how they are rooted in different types of markets and politically regulated institutions and governance processes; i.e. how rules and regulations affect entrepreneurship. This perspective is partly a reaction to the criticism leveled at to particular explain immigrant entrepreneurship based only on cultural factors, or what is sometimes called "ethnicisation" or "racialising" (de los Reyes, 2007). Kloosterman emphasizes instead how anchoring in social groups and the socio-economic and political institutional structure explains and contributes to the understanding of immigrant self-employment or "entrepreneurship" (Kloosterman, 2010; Kloosterman & Rath, 2001).

Previous research in Sweden has often put a focus on identifying the determinants of immigrant persons' motives for starting their own business (see e.g. Andersson & Hammarstedt, 2010;

Hammarstedt, 2001; Ohlsson, Broome & Bevelander, 2010). This chapter focuses instead on a model that the author previously applied in his doctoral-thesis which are located near the "mixed embeddedness"- perspective (Ljungar, 2007). This advocates a systematic analysis of the differences in conditions for immigrants which they bring to entrepreneurship, where it particularly emphasizes the different societal levels that should be analyzed in order to avoid the problems that both (neoclassical) economic, as well as "culturalist" explanations provide. There are three "levels" to be considered; an individual, a network level and an institutional level.

Firstly, one should assume what motivates the individual to become self-employed. This means taking into account the "interests" or "motives" behind the individual's actions, but also to the "opportunities" and / or "constraints" the individual encounter in their social environment. The sociologist Max Weber has developed a typology of action where he distinguishes between different motives behind the economic action; namely end-means rational action, value rational action, traditional and habitual behavior (Weber, 1983). It has been shown in several studies that many people with immigrant or minority backgrounds who become self-employed primarily are driven by a desire to support themselves and their family, while economic profit interests are often subordinated to this. In line with Max Weber typology of action may be why many immigrant entrepreneur activities are seen as "traditional economic action", with "housekeeping" or livelihood as a primary motive and not as "rational economic behavior" based on "profit" (Swedberg, 1998).

Sometimes the concept "ethnic entrepreneurship" are used within the prevailing paradigm about immigrant and minority enterprise. One problem with that "entrepreneurial concept" is that it is not always given the meaning the economist and sociologist Joseph A. Schumpeter gave it, for example, that entrepreneurship entails introducing any new product, service or form of production on the market, i.e. an innovation (Schumpeter, 1983). An "ethnic entrepreneur" is in practice in most cases the same as a "small business owner" whose main motive to start a business activity is all about being able to survive through to support her- or himself. Many foreign-born that start their own business are rather more often "imitators" than "innovators". In Sweden for example pizzerias has become an industry, or "niche" almost exclusively run by immigrants, where the subject to start a business is just mainly to support themselves (see Hultman, 2013).

Entrepreneurial behavior does not always mean that you must innovate any new product or service to introduce in the market (Swedberg, 2000). Some of the immigrants who become entrepreneurs are actively seeking various niches or industries where they can find their livelihood. Even if their business is not an unmitigated "innovation", it means that when an entrepreneur actively seeks out a "niche" or sees an opportunity to start a business that can provide an income (profit) it is the issue of "entrepreneurship" in some meaning. According to the sociologist Ronald Burt, which combines a network and an entrepreneurial perspective, there are sometimes "holes" between players in the network on the market that can be ingested. An example of this is the immigrant entrepreneurs engaged in export and/ or imports between the current home and their country of origin; i.e. they link together two "networks" (Burt, 1992).

Ethnicity is mentioned above as a problematic concept because it sometimes tends to be used in a "culturalist" meaning in the research field; for example, that all persons with "Turkish" background is "good at cooking pizza". It should instead be more clearly linked to the concept of identity. According to sociologist Harrison White an identity is something that an individual or group not quite choose, but the identity that distinguishes one person or the members of a group is always the result of a "struggle" between the different actors; i.e. it is a result of social interaction. Identities are formed in networks or relationships between individuals, and different actors sometimes have different definitions of what an identity may contain (White, 1992).

According to the sociologist Ervin Goffman one should also distinguish between the concepts of social identity and personal identity (Goffman, 1963). He believes, like White, a person or an individual receives its "social identity" through interaction with other people, while the "personal identity" is the perception that the individual has /create itself. When an individual's self-perception does not match the image hit his social identity "role conflicts" may appear. An example of this is when people with a background in Islamic countries get themselves "attributed" a social identity that does not match with their personal identity. For example, it has been shown that people from countries such as Iran and Iraq have chosen to become self-employed because they either not find work as employees, or if they are employed they are often treated as "muslims", "terrorists", etc., and therefore choose becoming self-employed instead. To become self-employed then means to some people that they can take control over their lives, i.e. bring harmony between their personal and social identity. That some start companies that are "far from" their original profession, is compensated in this case that they do not have to be subjected to the "negative image" of the "Muslim who is constantly reproduced in several European countries, not least in Sweden (Ljungar, 2007).

The second "level" to explain and understand the conditions employed is termed the network level. A survey of the social network about every business is important to explain why a person is self-employed, but also to understand the conditions under which they live. Network analysis shows in particular how the informal relations or contacts between the holder and members of her/his immediate surroundings look like. It has for example been shown that those who have an abundance of personal connections, i.e. what is known as social capital, although it is easier to start and run a business (Lin, 2001; Portes & Sensenberger, 2001). The quality of the social networks is also of importance. Within certain minority groups there are norms that postulates that one must stand up for fellow citizens with borrowed money or labor. For example, people with Kurdish and Assyrian-Syrian background in Sweden have been able to take advantage of such "ethnic resources" in the form of strong system of norms. Another form of network relationship is whether there is any "intermediator", often belonging to the majority population, who can help at the start of a company. This person can then act as a "broker" or "bridge" into the majority society (Ljungar, 2007).

Another factor that is connected to the network level the importance of trust from customers and suppliers in the surroundings (Pripp, 2001). The people who tend to survive as entrepreneurs are those who invest in high quality of their goods and services. As a foreign-born entrepreneur often face greater mistrust from the environment than is the case for a Swedish entrepreneur, it is a strategy to invest in a "good reputation", for example give a little extra service, always give change and keep clean and tidy the shops and restaurants (Pripp, 2001).

The third and highest level is what I call the institutional or structural level. This level consists of organizations of a more formal nature that surrounds the immigrants which become self-employed, but also by the informal institutions or rules that affect people of foreign origin to become self-employed. It has been proved that it is of importance how the relations to institutionalized organizations such as banks, tax authorities and business counseling looks like, both to be able to explain why some people become entrepreneurs, but also to understand why many fail to start and run a business activity (Ljungar, 2007).

It is relatively common for people with a foreign background who have tried to become self-employed to have been rejected loan applications at the bank, which means that they either have to raise money in other ways, or start a business in a very small scale. It has also been shown that people from immigrant groups who lack the ability to borrow through their ethnic networks, i.e. of relatives, friends and countrymen, nor tend to start companies to any great extent.

An institutional organization some highly educated people with an immigrant background have had particularly negative experiences of is the university administrations in Sweden. They have, among other things, tried to get a diploma from their countries of origin accepted, but did not receive it. In Sweden, it is relatively common that persons with both immigrant background and academic training to start businesses in areas such as taxi and restaurant instead of working as doctors, engineers, etc. It therefore seems reasonable in this context to talk about an institutional or structural discrimination, which is ultimately based in the regulatory systems that characterize many private and public organizations.

An additional factor, which belongs to the institutional or structural level, is how the market conditions for starting and running a business looks like. Here both legislation and active policies from the authorities are of importance, but also the demand that exists in the market of goods and services that immigrant entrepreneurs can offer is of course important. It has for example emerged industries or "niches" occupied by foreign-born persons, where from the consumers' side it is taken-for-granted that the "pizza baker" should be an immigrant". It tends to occur institutionalized norms or cognitions that imply that the "normal" pizzeria owner" should have a non-European background, which in turn is exploited by the self-employed as a form of "entrepreneurship". The holders of pizzerias, often with backgrounds in countries such as Turkey or Iraq, all have on their menu pizzas with Italian names ("Cappriciosa", "Quattro Stagioni", "Calzone", etc.) (Hultman, 2013).

In conclusion, it should be noted that the three "levels are" above overlap. Identities and interests are shaped and reshaped depending on how the networks surrounding the actors look like. Furthermore, the norms that regulate relations within the social networks, in turn, are constantly exposed to changing interests and identities. Finally, the relationships between the different actors within the networks are of great importance for how the institutions and organizations are designed, but the latter seems to be the case also for the networks and identities.

4. Immigrant Entrepreneurship in Sweden: the Example Norrby

The district Norrby in Borås is an area characterized by a high proportion people with a foreign background. The area is considered a so-called socio-economically vulnerable area, including high unemployment and a relatively high proportion of welfare dependency among the residents. In the area there is however a number of businesses run by persons of immigrant background, foremost businesses in the service sector. There is, for example, tobacco shops, several supermarkets/grocery stores, pizzerias and restaurants as well as shops selling gift items and household objects in the area. In addition, there is a series of activities that are not as visible in the physical space; e.g. people with Somali background who works as sewers in their home in the form of sole proprietorships.

In interviews with 10 entrepreneurs, both men and women, with backgrounds in countries such as Afghanistan, India, Lebanon, Hungary, Somalia reveals some common experiences and patterns. According to the model described earlier, it is important to identify the motives, but also examine the identity significance, why people with foreign backgrounds start businesses. In the case of the interviewed entrepreneurs in Norrby emerges a pattern that they see entrepreneurship as primarily a means to support themselves, and not something they started mainly because they had a specific mission. Some are well educated, but have not been able to find work in Sweden representing their education- or skill level. For example, according to a man with his roots in Afghanistan, who runs a grocery store, he is trained as a police in his country of origin, but he did not cope to educate himself in Sweden. In order to work as a police officer in Sweden it is required a Swedish police training. A woman from Somalia, who worked with media and film in her country of origin, operates today a business as sewer with a small cloth and gift shop. She said in the interview that there was not an option to work within the framework of her previous profession in Sweden. The work as self-employed was partly a result of that she had worked cleaning the shop she now owns in the context

of a labor market project. A third example is a man of Indian background, a university educated physicist, who after repeated attempts to get a job eventually gave up and started a small grocery store together with a compatriot. This was not profitable, and the man has instead made his living by buying and selling shares under a sole proprietorship. All three people above however, showed a certain satisfaction of working as self-employed. They appreciate the freedom, i.e. to have control over their own lives, while at the same time wishing that they though had been able to work in their former occupations or in the context of what they was trained for.

A woman with a Hungarian background, which has a beauty salon, was perhaps the person who showed most satisfaction with her situation of the persons included in the survey. She currently operates a beauty salon and had experience working in the same industry in her country of origin. She had found to start a business opportunity in this way to maintain her professional identity. Although the contact with customers is according to her a very strong reason to continue with the business company, even after she retired.

One that are not as satisfied with running a business, is a man of Lebanese origin, who runs a gift shop. However, he has a background as a self-employed in his home country, and was satisfied in part with his role or identity as self-employed. To have control over his own life and to be independent, according to him is of great importance. For example working as an employee in the "big industries" is nothing that attracted him. He has also been able to take advantage of his ethnic identity because he mainly sells gift items, but also some food, from both his own country of origin and other countries mainly in the Middle East. However, he would like to both lose work time, and even would like to change his job altogether, but cannot do this because he had to support his family.

As regards network relationships it emerged that most of the entrepreneurs in this study had mainly compatriots or people from other immigrant groups as customers and as employees. Some have been able to take advantage of these network relationships in different ways by having acted "innovative" or "entrepreneurial" (Burt, 1992). Some have focused on so-called "ethnic" products", i.e. goods from the country of origin, but also products from other immigrant groups' countries of origin, and then has mainly customers of immigrant residents in the area. The man mentioned above with roots in Lebanon also managed to attract customers outside the Norrby limits. He have networking relationships within the Lebanese community in the region and have therefore been able to establish a customer base seeking precisely his goods; among other things gifts from Lebanon and other Middle Eastern countries. Another strategy developed by the woman with a Somali background is that she both is selling and repairs used clothing and other items to people from the Somali community who are not particularly rich in economic resources. They can get their own clothes repaired at a low cost. The man with roots in Afghanistan, which has a grocery store, also targets on people with afghan or other immigrant background as customers. He has for example developed a credit system including among 40 people who often cannot pay cash, but get their purchases revalued on credit.

When it comes to the institutional and structural conditions and market conditions, to pursue entrepreneurship in an area characterized by socio-economic vulnerability, there have been developed similar strategies among the self-employed in this study. Some are not residents in Norrby but live in other city parts in Borås and in surrounding towns like Alingsås and also Gothenburg. The reason for this is that they would rather live in areas or cities where particularly their children are assumed to have better prospects. The reasons that they started their activities in Norrby was that commercial rents are low, but also because there exists customer base that are based on ethnicity.

One finding in the interviews is that has over time become more difficult to operate with customers in the area as a basis. Although the number of companies has decreased over time, and particularly

the percentage of people with Swedish born background that run business has dropped dramatically. Moreover, profitability is not very high, and especially those who have supermarkets say they have to work many hours a day and on weekends, to get the business to go around. Another factor that some states as problematic is the lack of security. The man with roots in Afghanistan, which has a grocery store, stated that there has been burglaries into his shop at several occasions, but he experience that there is no interest from the authorities to help him or the other business owners in the area to increase especially safety. Another man who earlier had an Indian restaurant was completely driven out of business after being the victim of repeated burglaries.

Finally, it should be noted that in Sweden since the 1990s there has been a discussion whether self-employment among immigrants is a path to greater integration (SOU, 1999: 49). For example from political and/or the authorities it has been claimed that people who starts a company can be seen as a central socio-cultural resource for an area, and thereby contribute to greater integration. This also the case in Norrby, and there are a variety of public financed projects in the form of business advice and other activities that would make it easier for people to start and run businesses. In the interviews it appears that most which run companies have started without taking any help or support from the authorities. The fact that it is people who either resides elsewhere or going outside the area to get customers is central to stress. Even the fact that in some cases it is the question of relatively well-trained people or with specific working skills from the home country, who cannot work according to their educational level confirms a pattern that has emerged in a number of previous studies. From the local politicians it is common saying that entrepreneurship can be a way to inclusion and entrepreneurship or "innovation", the question is whether it is not rather a kind of lock-in effect to start a business, both of competencies, but above all for the individuals' forced to become self-employed because they had no other choice or option.

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Analysis of the Effect of Festival Quality on Visitors' Satisfaction and Behavioral Intentions of the Local Food Festival

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Abstract

Local food festivals are interesting tourism attractions that have a significant impact on creating a destination image. There has been much research regarding the relationship between service quality, satisfaction and behavioral intentions in different service fields. However, compared to other fields, there is a lack of studies that investigate these relationships in the event management area. This paper aims to: (a) assess the perceived festival service quality attributes; (b) identify factor structure of perceived festival service quality; (c) determine the relationship between festival service quality dimensions, overall visitors' satisfaction and behavioral intentions; (d) assess impact of overall visitors' satisfaction on behavioral intentions. Data was collected from a sample of 94 visitors of "15th Festival of asparagus" held as a 1-day event in April 2015 in Lovran (Croatia). In order to achieve the study goals, data was analyzed using descriptive and multivariate statistical analysis. Four festival quality factors of "information adequacy and program", "food", "staff" and "facilities" were identified. The results showed that among four factors, only the value of "facilities" significantly influenced on visitor satisfaction. The best predictors of behavioral intentions were "information adequacy and program" and "facilities". As expected, and as seen in previous studies, the impact of visitors' satisfaction on behavioral intentions is confirmed. This study provides interesting findings that could help organizers to provide high level of festival quality, enhance visitors' satisfaction and influence on their positive behavioral intention.

Keywords

Food festival, festival satisfaction, behavioral intentions, factor analysis, multiple regression analysis

1. Introduction

While festivals as a phenomenon have a long history, actual festival research began only some 30 years ago (Lyck, 2012). Nowadays, local festivals are used for promoting tourist destinations, stimulating the local economy and as an instrument for extending the tourist season. Among all different type of festivals, food festivals are one of the most popular. According to Getz (2005) festivals are “themed, public celebrations”. Food festivals are “public event that centers on specific food or food related items or behaviors” (Hu, 2010).

During the past two decades local festivals have received increasing attention by academic researchers (e. g. Esu & Arrey, 2009; Yoon, Lee & Lee, 2010; Kim, Suh & Eves, 2010; Son & Lee, 2011; Anil, 2012; Mason & Paggiaro, 2012; Wan & Chan, 2013; Wu, Wong & Cheng, 2014). Mayer and Whithdrow (2013) in their research examined trends in event and festival research and pointed out that although socio-cultural, community and economic impacts of festivals are important topics for future research, these topics have been thoroughly researched already. Therefore, topics about festival quality, visitors’ satisfaction and behavioral intentions still are remaining interesting to examine. There have been numerous studies that empirically investigated the relationship between these concepts, but there is a lack of studies that examined the impact of festival service quality on visitors’ satisfaction and behavioral intentions for small local food festivals.

Therefore, the main purpose of this study was to examine the relationship between perceived festival service quality, visitors’ satisfaction and behavioral intentions on small local food festival in Croatia. The primary challenge was to identify what are the main festival service quality dimensions and which impact they have on overall visitors’ satisfaction. This study aims to: (a) assess the perceived festival service quality attributes; (b) identify factor structure of perceived festival service quality; (c) determine the relationship between festival service quality dimensions, overall visitors’ satisfaction and behavioral intentions; (d) access impact of overall visitors’ satisfaction on behavioral intentions.

The paper is organized in five sections. The following section gives an overview of studies that examined concepts of festival service quality, visitors’ satisfaction and behavioral intentions. The next section lays out the methodology and is followed by results of the research. In the final section, conclusions and implications are discussed.

2. Literature Review

The literature review on festivals indicates that some of researches have focused on festival motivations of attending festivals (e. g. Crompton & McKay, 1997; Nicholson & Pearce, 2000; Lee, Lee & Wicks, 2004), while the others investigated the relationship between festival service quality, visitors’ satisfaction and behavioral intentions (e.g. Cole & Chancellor, 2008; Tkaczynski & Stokes, 2010; Mensah, 2013, Esu, 2014).

Early festival studies investigated festival quality applying famous SERVQUAL model designed by Parasuraman, Zeithaml and Berry (1988) which consisted of five dimensions of service quality (reliability, tangibles, responsiveness, assurance and empathy). However, many studies did not confirmed SERVQUAL dimensions in a festival context. Crompton and Love (1995) took first step to compare the validity of alternative approaches to measure service quality and satisfaction in a festival context. Findings of their research suggested that the most valid measures of festival quality are the constructs measuring performance only.

Lee et al. (2008) identified seven dimensions representing ‘festivalscape’ (convenience, staff, information, program content, facility, souvenirs, and food quality) and examined relationship

between these dimensions, emotions, satisfaction and loyalty. Cole and Chancellor (2009) examined the factors that affect visitors' overall experience, satisfaction and re-visit. In their research they used structural equation modelling and found out that entertainment quality had stronger impact than programs and amenities. On the other hand Yoon et al. (2010) found out that the festival program most significantly influences on value, which then contributes to visitors' satisfaction and loyalty. Similar finding is confirmed in the study of Lee et al. (2011) who also found that the festival program positively affects to emotional and functional value; while emotional value more strongly influences on satisfaction than functional value. Results of the study at an Australian Jazz and Blues Festival by Tkczanski and Strokes (2010) led to the conclusion that customer satisfaction is directly related to repurchase intentions of festival goers. In their study professionalism and environment were found to predict satisfaction.

Anil (2012) found that out of three dimensions (food, festival area, and convenience) that significantly affect visitors' satisfaction, food dimension was the most important factor. Souvenir, staff and information adequacy did not affect visitors' satisfaction. Son and Lee (2013) used regression analysis to discover the relative importance of the factors of festival service quality (general features, comfort amenities and socialization) predicting overall satisfaction and future intentions. The results of their study showed that general features of festival quality most significantly affect satisfaction, recommendation, and revisit.

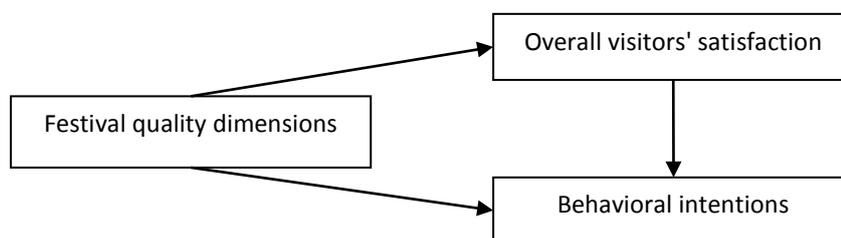
Mensah (2013) examined residents' satisfaction and behavioral intention with local festival. Among the five factors (ancillary services, participation, information, activities, and security and duration on festival) festival activities were the most important factor influencing residents' satisfaction with festival.

There are limited studies which specifically investigated food festivals (e. g. Kim, Suh & Eves, 2010; Mason & Paggiaro, 2012; Wan & Chen, 2013; Wu, Wong & Cheng, 2014). Therefore, this study will contribute to literature by identifying festival quality factors and their impact on visitors' satisfaction and behavioral intentions in the context of local food festival.

3. Methodology

The study framework was developed based on the previous research (figure 1).

Figure 1: Study framework



Source: Authors

Three hypotheses are proposed:

- H1: Festival quality dimensions have significant effect on overall visitors' satisfaction.
- H2: Festival quality dimensions have significant effect on behavioral intentions.
- H3: Overall visitors' satisfaction has significant effect on behavioral intentions.

The questionnaire consisted of three parts, designed to measure the perceived festival service quality, satisfaction and behavioral intentions, as well as demographic information about the respondents. The festival quality was measured using 17 attributes adopted from previous research (Yoon et al., 2010; Anil, 2012). The level of visitors' overall satisfaction was measured using three items and behavioral intentions with five items (recommend, spread positive word-of-mouth, visit this festival again next time, keep attending this festival in the future, festival will be first choice of gastro event in the future). The festival quality, satisfaction and behavioral intentions were measured on a seven-point Likert-type scale with the following values: 1 – strongly disagree, 7 – strongly agree. The respondents' demographic information included country of residence, age, gender, marital status, education, frequency of town visits and festival visits, and motivations for visiting this particular festival.

Data for this study was collected during the central one-day event of 15th Festival of Asparagus, Lovran. The festival is held every year during the month of April and celebrates wild asparagus growing on the slopes of Učka. Many restaurants and taverns offer meals featuring wild asparagus during the festival time. The main event is held in the central square of Lovran. A total of 300 questionnaires were administered and 110 were returned. After eliminating 16 questionnaires because of incompleteness, 94 useful questionnaires were obtained. The response rate was 31.33 per cent.

Data analysis was performed using statistical software SPSS 22.0. Descriptive statistics, exploratory factor analysis, reliability analysis, correlation analysis, and multiple regression analysis were performed to analyze the collected data. Descriptive statistical analysis was used to describe respondents' demographic characteristics and to evaluate visitors' festival service quality perceptions. Principal component analysis (PCA) with Varimax rotation method was used in factor analysis to derive factors from 17 festival quality attributes and to identify the main dimensions of perceived festival service quality. A reliability analysis was performed to test the reliability of the scale and the internal consistency of extracted factors. For that purpose Cronbach's alpha coefficients were calculated for all factors. Correlation analysis and multiple regression analysis were used to explore how the dimensions of the perceived festival quality derived from factor analysis were related to the overall visitors' satisfaction and behavioral intentions.

4. Results

Socio-demographic structure of the sample is shown in Table 1.

Table 1: Socio-demographic characteristics of respondents (N=94)

Variables and characteristics		Respondents	
		Frequency	Percentage
Country	Croatia	85	90.4
	Others	9	9.5
Sex	Male	34	36.2
	Female	60	63.8
Age	Less than 20	5	5.3
	20 – 29	34	36.2
	30 – 39	22	23.4
	40 – 49	12	12.8
	50 – 59	15	16.0
	60 or more	6	6.4
Marital status	Single	40	42.6
	Married	36	38.3
	In a relationship/ engaged	18	19.1

Variables and characteristics		Respondents	
		Frequency	Percentage
Education	Elementary school or below	1	1.1
	High school diploma	42	44.7
	University degree	43	45.7
	M. Sc / Ph. D.	8	8.5
Frequency of town visits	First time	13	13.8
	2 – 5 times	11	11.7
	>5 times	70	74.5
Frequency of festival visits	First time	52	55.3
	2 – 5 times	20	21.3
	>5 times	22	23.4
Motivations to visit festival (multiple choice)	Hanging out	43	34.4
	Meeting new people	4	3.2
	Escape from routine / relax	29	23.2
	Tasting local food	25	20.0
	Learn about local food	5	4.0
	Share photos of local dishes with friends	1	0.8
	Other	18	14.4

Source: Authors

Most respondents were domestic visitors (90.4%), while the other visitors of the festival were tourist from nearby countries (9.5%). The gender composition of the respondents in this study was 36.2% male 63.8% female. Most of the respondents were younger than 40 years (64.9%), finished high school (44.7%) or university (45.7%). The majority of the respondents had visited the town more than five times (74.5%) and only 13.8% of them indicated that they are visiting the town for the first time. According to the results of analysis it can be seen that more than half (55.5%) of the respondents were attending the festival for the first time. The primary motivation for visiting the festival was “hanging out with family and/or friends” (47.0%), followed by “escaping from routine / relax” (23.2%) and “tasting local food” (20.0%).

Descriptive statistic was applied to determine visitors’ perceptions regarding festival service quality. The range of service quality perceptions items was from 1 (very low perceptions) to 7 (very high perceptions).

Table 2: Visitors' perception of festival service quality (N=94)

Attributes	Mean	SD
Q1 The brochures are well prepared.	4,64	2,160
Q2 The signboards provide sufficient information.	4,64	1,837
Q3 The signs showing festival area for visitors provide sufficient information.	4,31	1,735
Q4 Program is varied.	4,70	1,632
Q5 Program is well managed.	4,99	1,656
Q6 Program is well organized.	5,14	1,485
Q7 The food sold in the festival is of very good quality.	5,28	1,562
Q8 There is enough variety of food.	4,55	1,829
Q9 The food tastes good.	5,57	1,534
Q10 The food is reasonably priced.	5,18	1,722
Q11 The staff in festival is kind.	5,86	1,426
Q12 The staff has enough knowledge about the festival.	5,63	1,391
Q13 The staff responds to our request quickly.	5,54	1,381
Q14 The staff is willing to help us.	5,87	1,184
Q15 The size of festival area is adequate.	5,64	1,544
Q16 Parking facility is convenient.	4,72	1,991
Q17 Restrooms are convenient.	4,04	2,079
<i>Overall mean for 17 attributes</i>	<i>5.08</i>	<i>-</i>

Source: Authors

The mean scores of guests' perceptions ranged from 4.04 to 5.87. The lowest perception item was for "restrooms are convenient" (M=4.04) and "the signs showing festival area for visitors provide sufficient information" (M=4.30). The highest perceptions were noted regarding staff helpfulness (M=5.87), kindness (M=5.86), knowledge (M=5.63) and promptness (M=5.54). The festival visitors positively assessed attributes related to food tastiness (M=5.57), quality (M=5.28) and price (M=5.18). The overall mean score was 5.08 indicating relatively high level of festival service quality.

Principal Component analysis was done to determine festival quality dimensions. The appropriateness for conducting factor analysis was assessed with Kaiser-Meyer-Olkin's measure (KMO) and Bartlett's sphericity test (Hair et al., 2006). The Kaiser-Meyer-Olkin measure verified the sampling adequacy for analysis, KMO=0.85 ("meritorious" according Hutcheson and Sofroniou, 1997). Bartlett's test of sphericity is significant ($\chi^2= 1201.224$; $df=136$; $Sig. =0.000$), showing that there is strong correlation among the variables. After the verification of suitability of the scale for conducting factor analysis, the principal component method was used with varimax rotation.

The 17 variables representing festival quality attributes were reduced to four factors, explaining 75.67 % of total variance in the data. Factor loadings were relatively high, ranging from 0.594 to 0.906. All items were above the minimum of 0.50 and are considered practically significant (Hair et al., 2006). Furthermore, Cronbach's alpha coefficients of the extracted factors ranged from 0.791 to 0.897, which is well above 0.60, the minimum value considered as acceptable (Hair et al. 2006). Cronbach's alpha value for the overall scale was 0.961 and indicates its high reliability. The results are reported in Table 3.

Table 3: Factor analysis of festival quality attributes

Items	Factor loadings			
	Factor 1	Factor 2	Factor 3	Factor 4
<i>Factor 1: Information adequacy and program</i>				
The signboards provide sufficient information.	.809			
The sign showing festival area for visitors provide sufficient information.	.803			
The brochures are well prepared.	.716			
Program is varied.	.702			
Program is well organized.	.677			
Program is well managed.	.594			
<i>Factor 2: Food</i>				
The food tastes good.		.805		
The food sold in the festival is of very good quality.		.792		
The food is reasonably priced.		.780		
There is enough variety of food.		.748		
<i>Factor 3: Staff</i>				
The staff has enough knowledge about the festival.			.818	
The staff responds to our request quickly.			.812	
The staff is willing to help us.			.800	
The staff in festival is kind.			.718	
<i>Factor 4: Facilities</i>				
Parking facility is convenient.				.906
The size of festival area is adequate.				.759
Restrooms are convenient.				.688
Eigenvalue	3.706	3.406	3.163	2.589
% of Variance	21.798	20.036	18.608	15.230
Cronbach's alpha	0.897	0.863	0.895	0.791
Number of items	5	4	4	3

Source: Authors

The first factor is named "information adequacy and program" and refers to signboards, signs, pamphlets, how well is organized and managed festival. This factor explained 21.798 % of the variance with eigenvalue 3.706. The second factor is related to food tastiness, quality, variety and value. This factor had eigenvalue 3.406 and explained 20.036 % of the total variance. The third factor gathered items addressed to staff knowledge, quickly respond, willingness to help and kindness. The eigenvalue of third factor was 3.163 and it explained 18.608 % of total variance. The last extracted factor was named "facilities" and it consisted of three items related to parking, restrooms and festival area adequacy. It had and eigenvalue if 2.589 and explained 15.230% of total variance in the variables.

The multiple regression analysis was performed to find out how much variance in overall satisfaction can be explained by the four factors of the perceived festival quality as independent variables and the overall customer satisfaction as a dependent variable. Overall satisfaction was measured with three items: "I feel very good with this festival" (M=5.32, SD=1.468), "I am satisfied with my decision to visit this festival." (M=5.59, SD=1.527), "Overall, I am satisfied with this festival" (M=5.51; SD=1.435). The results of the impact of the perceived festival quality dimensions on overall festival visitors' satisfaction are shown in Table 4.

Table 4: Results of multiple regression analysis for variables predicting overall visitors' satisfaction

<i>Independent variables</i>	<i>b</i>	<i>SE</i>	<i>Beta</i>	<i>t</i>	<i>Sig.</i>
Constant	2.045	.336		1.531	.129
Information adequacy and program	.106	.045	.245	2.388	.019
Food	.143	.067	.197	2.155	.034
Staff	.082	.086	.095	0.948	.345
Facilities	.354	.074	.393	4.758	.000
R ²	0.504				
Adjusted R ²	0.482				
Standard error	2.368				
F ratio	22.626				
Significance	0.000				

Dependent variable: Overall satisfaction

Source: Authors

According to the coefficient of determination ($R^2 = 0.504$) and the adjusted coefficient of determination (adjusted $R^2 = 0.482$), four factors of festival quality explained approximately 48.2 % of variation of satisfaction level. Among four extracted factors, only value of "facilities" significantly influenced visitors' satisfaction. This means that this factor is crucial for festival organizers in order to achieve high level of visitors' satisfaction. "Information adequacy and program" ($p = 0.019$), "food" ($p=0.034$), "staff" ($p=0.345$) did not significantly explain the variance in overall visitors' satisfaction.

The results of multiple regression analysis of four festival factor analysis as independent variables with behavioral intentions as the dependent variable is shown in Table 5. Behavioral intentions was measured with five items: "I will recommend this festival to my friends and neighbors" ($M=5.55$, $SD=1.464$), "I will spread positive word-of-mouth about this festival" ($M=5.80$, $SD=1.396$), "I would like to visit this festival again next time" ($M=5.26$, $SD=1.912$), "I will keep attending this festival in the future" ($M=5.33$, $SD=1.662$), "This festival will be my first choice of gastro event in the future" ($M=4.62$, $SD=1.856$).

Table 5: Results of multiple regression analysis for variables predicting behavioral intentions

<i>Independent variables</i>	<i>b</i>	<i>SE</i>	<i>Beta</i>	<i>t</i>	<i>Sig.</i>
Constant	7.485	2.794		2.679	.009
Information adequacy and program	.377	.093	.460	4.040	.000
Food	.058	.139	.042	.416	.678
Staff	.076	.180	.047	.422	.674
Facilities	.331	.156	.195	2.128	0.03
R ²	0.388				
Adjusted R ²	0.361				
Standard error	4.952				
F ratio	14.116				
Significance	0.000				

Dependent variable: Behavioral intentions

Source: Authors

The coefficient of determination (R^2) of 0.388 indicates that 38.8% of the variance in behavioral intentions is explained by the four festival quality factors. The significance value of two factors ("information adequacy and program" and "facilities") was less than the significant level of 0.05

indicating that the regression model was statistically significant and that the two festival service quality factors positively affected the respondent's behavioral intentions. The beta value indicates that "information adequacy and program" was the best predictor of behavioral intentions ($\beta=.460$, $p=.000$), followed by "facilities" ($\beta=.195$ $p=.003$). This means that these two factors were very important for enhancing positive visitors' behavioral intentions. The dimensions "food" and "staff" showed statistically insignificant influence on visitors' behavioral intentions.

To examine whether there is a connection between overall satisfaction and behavioral intentions, we carried out a correlation analysis by applying Pearson's correlation coefficient. The correlation between overall visitors' satisfaction and behavioral intentions was .774 and was significant at $p < 0.01$ which indicates the existence of a positive relationship between overall visitors' satisfaction with festival and behavioral intentions. Furthermore, we have done multiple regression analysis of overall satisfaction as independent variable affecting visitors' behavioral intentions as dependent variable. The results of this analysis are presented in the following table.

Table 6: Results of multiple regression analysis of visitors' overall satisfaction influence on behavioral intentions

<i>Independent variables</i>	<i>b</i>	<i>SE</i>	<i>Beta</i>	<i>t</i>	<i>Sig.</i>
Constant	4.295	1.635		2.627	.010
Overall satisfaction	1.457	.124	.774	11.722	.000
R ²	0.599				
Adjusted R ²	0.595				
Standard error	3.943				
F ratio	137.409				
Significance	0.000				

Dependent variable: Behavioral intentions

Source: Authors

The coefficient of determination (R^2) of 0.599 indicates that more than half of the variance (59.9%) in behavioral intentions is explained by overall satisfaction. This indicates that overall satisfaction positively and significantly affects the visitors' behavioral intentions.

5. Conclusion

This study explored the factors of festival quality that have significant impact on visitors' satisfaction and behavioral intentions. Visitors are satisfied with attributes related to staff (helpfulness, kindness, knowledge and promptness) and food (tastiness, quality and price). On the other hand, attributes related to facilities and information adequacy were the worst-rated, indicating that these areas of service require improvement in order to ensure festival quality that contributes to visitors' satisfaction and leads to positive behavioral intentions.

The findings of factor analysis revealed that the main dimensions of festival service quality of local food festivals were "information adequacy and program", "food", "staff" and "facilities". Previous studies conducted in the local festival context identified similar dimensions of festival service quality. Considering that authors named factors differently, the most common factors of festival service quality appeared to be "information", "program", "food" and "facilities". These dimensions are consistent in the present study as well.

Multiple regression analysis indicated that perceived festival service quality is an important antecedent of overall visitors' satisfaction. Four factors of festival quality explained approximately 48.2 % of variance in overall visitors' satisfaction. Therefore, the first hypothesis is confirmed. The

test of individual predictors of overall visitors' satisfaction showed that only "facilities" significantly influenced visitors' satisfaction. The results of the test of second hypothesis indicated that there is significant relationship between festival quality dimensions and behavioral intentions. Festival quality dimensions explained only 38.8% of the variance in behavioral intentions. Low R^2 could be explained that behavioral intentions may be explained by some other elements not included in this study. In this model, "information adequacy and program" and "facilities" were the best predictors of behavioral intentions. Since these elements are worst-rated in this study, this finding is really important for organizer of this particular festival. In order to enhance positive visitors' behavioral intentions organizers need to improve program, information and facilities. The impact of visitor satisfaction on behavioral intentions, tested by third hypothesis, is also confirmed. The result of this study corroborates the finding of some previous studies (Son & Lee 2011; Anil 2012; Esu, 2014) which also found significant relationship between festival service quality, satisfaction and behavioral intentions.

This study is not without limitations. The first limitation is the small sample size. Since the majority of respondents were domestic visitors, we could not examine if the perception of foreign tourist is different. This study focused on only one local food festival and findings could not be generalized. Despite these limitations, the findings of this study contribute to the existing knowledge of main concepts of research and provide useful information for a better understanding of local food festivals.

Future research should conduct similar studies and use a more representative sample in order to generalize findings. Other aspects of festival quality could be examined. Research could also examine differences between tourist and local resident perception of festival service quality and differences between first-time visitors and repeat visitors. Qualitative research methods could be implemented in future research to get better understanding of local food festival quality and its impact on satisfaction and positive visitors' intention. Finally, it will be interesting to conduct longitudinal research and measure behavioral intentions and actual visitors' behavior.

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Corporate Allergy. Signs and Treatment

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Abstract

Processes occurring in human body are well suited for the understanding of the key strategic business processes taking place in a corporation. Thus allergies that a person may experience are alike unfortunate condition of companies while merger and integration.

According to medical definitions, allergy is an immune response to substances that enter or come in contact with the body causing irritation and rejection. The same reaction a company may induce in an M&A deal being implemented in other entity. In this article, we will focus on the corporate allergies or rejection of business structures in mergers and acquisitions.

Keywords

Corporate allergy, M&A, growth model, market capitalization

Nowadays there are four major trends that characterize modern business environment: globalization, integration, specialization and capitalization. Market capitalization has the particular importance in terms of international business development and marks the transition from the priority of operating income to the concept of long-term business growth. A way from profits to the value of the company is a key development track of the business in today's market cap oriented world. However, a long-term increase in capitalization is assured by a positive dynamics of profit before tax (EBITDA), which, in turn, is achieved through the so-called «Crocodile Mouth Effect» (the author's terminology). The «Crocodile Mouth Effect» occurs in the circumstances of multidirectional dynamics of net revenue (NSR) and operating costs (Cost of Operations). Thus, rising net revenue and descending on operating costs created «Crocodile Mouth Effect». Difference achieved is a positive, cumulative EBITDA that largely determines the value of the company in the long term.

In modern conditions of development of corporate business it is getting more challenging to ensure the increase in net revenues and at the same time the reduction of operating costs. An increasing number of companies are moving from growth model to models of optimization and rationalization of operating costs of business, working on stagnating saturated markets. This is a situation when revenues are not growing or have a conditional growth of 1-2%, with the cost reduction program implemented. This leads to the already mentioned positive EBITDA, which supports the growth trend of the business without increasing the capitalization of the company itself.

Modern transnational corporations demonstrate alternative growth models. Among alternative growth models which we highlight the following: organic growth, guaranteed growth and growth through M&A. The first alternative growth model is organic growth. In the frame of this scenario the company's growth is ensured by the development of new products or services, new markets opening, new channels of sales. Here we deal with about business' opportunities for self-generation of growth factors. The second alternative growth model is guaranteed growth. Development of the company largely depends on its interaction with a sustainable business partner and stable conditions such as government orders or a model of feeder business, when the company throughout its existence provides services for a big customer, being thus its implant business. The third growth model is growth through mergers and acquisitions (M&A). This is the stage of development of corporate business, where further growth is largely dependent on the company's ability to implement mergers and acquisitions. At this stage it's easier for a company to buy a manufacturer of technologies, products and services, rather than to provide independent development of its own. M&A is an effective tool for a rapid growth in saturated markets and quick access to new markets.

Figure 1: Global M&A from 2005 to 2014.



Figure 1 shows the dynamics of global mergers and acquisitions market. World GDP in 2014 amounted to approximately 77,9 trillion dollars (according to the World Bank), ie, the share of M&A

market in 2014 amounted to 4% of global GDP. In 2014, global deal value increased at a much higher rate than deal volume, largely caused by a large number of mega-deals. We suppose that with the strengthening of the factors of the global economic crisis and the slowdown in global GDP growth M&A market will develop further and take a greater share in the global GDP. It is becoming more challenging for companies to compete in the "frozen", falling markets. Creating new markets and developing new competences is becoming more difficult and requiring more investments. Thus mergers and acquisitions are getting an efficient tool for growth achievement ensuring corporate growth through redistribution of market shares and its consolidation.

Figure 2: Paths of business development.

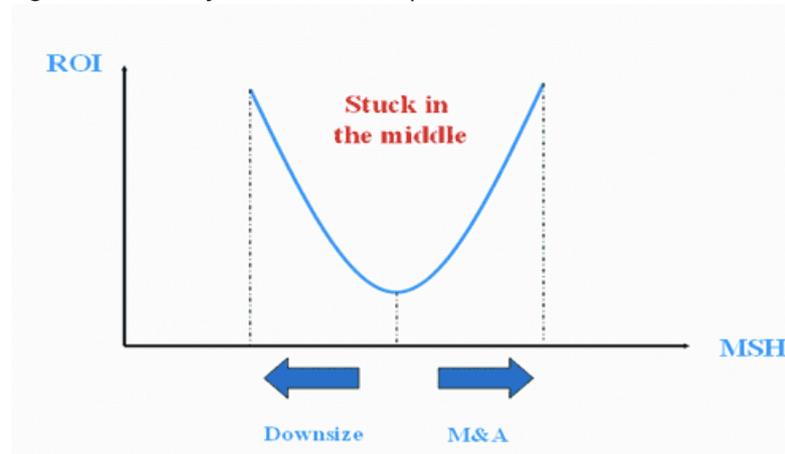


Figure 2 describes the real situation faced by the majority of businesses throughout their lives. We show a coordinate system with two indicators which are return on investment (ROI) and market share (or turnover). The price for increasing of presence in the market is paid by increasing costs and reinvesting profits into development. The income on investment of shareholders in the business fall and reach the so-called "corporate bottom" when the ROI falls below the average deposit rate of commercial bank. Shareholders find themselves at the crossroads. They can either go out of business or move on. One of the alternatives is coming back to the previous rate of return up to its fall mark is a strategy of downsizing (reduction operations and deep concentration on its core competence). Another alternative is to continue increasing its market share through the acquisition of new assets through M&A activities, capable to ensure the restoration of profitability indicators. In this regard, mergers and acquisitions are becoming an important alternative tool for the company's growth and meeting the expectations of the shareholders on the performance of business profitability.

A vivid example of the downsizing is the experience of the Marks & Spencer Company. After a long and exhausting competition with the Inditex Group, hitting a level of corporate bottom, Marks & Spencer decided to reduce its operations and focus on core competencies manufacture and sale of goods from wool. At the same time a large part of the corporate business is developing through mergers and acquisitions, e.g. Coca Cola, PepsiCo, Wall Mart, Unilever.

Thus, the global corporate business in general is following the M&A path of the development. Transactions are being made, the structures are being integrated together, companies are looking for synergies and additional points of growth. However, in fact, many transactions are completed only on paper. Companies fail to get united and merge into a single corporate structure. There is a rejection of structures that is alike an effect of mixing water and butter. Due to significant differences in nature these substances do not merge.

Let's concentrate on causes and symptoms of corporate allergies and mismatch.

1. Businesses are not compatible at all. Business structures specializations are not relevant to each other and integration does not seem to be realistic. An attempt to turn the horizontal diversification into vertical integration often leads to a negative result.
2. Blurring the focus of a combined company. This point implies a dramatic increase in the combined product portfolio. At the same time top management does not place a priority in the implementation and production. The system becomes complex and not controllable.
3. The complexity of business processes and technologies to the perception of business structures.
4. Multidirectional relation to the merger of management of two companies involved in the transaction.

Figure 3 shows attitude to the deal of the members of the corporate management structure (the top management of the company A, company B, the management company A, company B). Even with positive attitude of top management to the deal, the middle and lower management levels with a negative attitude to the merger, sabotaging the work of the program, contribute to the disruption of the merged business structures. Conversely, the negative attitude of top management, an inhibitory decision with full respect to the positive management of lower links lead to the same result. Negative background can be a feature of the new people's fear. At this point it is very important to understand who is the object, and who the subject of a takeover. Often the scavenger strives to get rid of staff of the absorbed company, thereby compromising the career expectations of staff of the latter.

5. Cultural intolerance, rejection of corporate culture. This happens due to the collision of different management style, values, corporate culture and values, personal believes.

Figure 3: Management's attitude to the deal

CEO A	Co A	CEO B	Co B	Сценарий
Positive +	Positive +	Positive +	Positive +	Scenario 1
Positive +	Positive +	Positive +	Negative -	Scenario 2
Positive +	Positive +	Negative -	Negative -	Scenario 3
Positive +	Negative -	Negative -	Negative-	Scenario 4
Negative -	Negative -	Negative -	Positive +	Scenario 5
Negative -	Negative-	Positive +	Positive +	Scenario 6
Negative -	Positive +	Positive +	Positive +	Scenario 7
Negative -	Positive +	Negative -	Positive +	Scenario 8
Negative -	Positive+	Positive +	Negative -	Scenario 9
Positive +	Positive +	Negative -	Positive +	Scenario 10
Positive +	Negative -	Positive +	Negative -	Scenario 11
Positive +	Negative -	Negative -	Positive +	Scenario 12
Negative -	Negative -	Negative -	Negative -	Scenario 13

Symptoms of corporate allergies that can affect the entire company or a part of the functional area are common for all companies. These signs may include reduction in revenues and increase in operating expenses. As a result, the "disease" leads to the situation when the capitalization, turnover, profitability combined structure are less than that the absorber had before making mergers and acquisitions.

Case:

A prime example of the corporate practice of allergy symptoms is the deal on the acquisition of the American company AOL of a progressive service Bebo. In 2008, AOL paid for Bebo 850 million USD, but in 2010 it sold for 10 million USD. The deal failed due to inability to successfully integrate the

target company for the development of its own social network and resource competition with emerging network Facebook.

Here are some recommendations aimed to avoid corporate allergy.

1. Avoid one-time purchase of 100% of equity of the asset. The path to the control of the company should begin with a gradual build-up of ownership, and thus, to ensure the gradual integration of management into united business processes. Today it is a common practice when companies arrange the so-called "deal of mutual exchange of shares» (mutual stock owning), that turn to be a kind of "trial period".
2. Mergers and acquisitions in the case of high-risk corporate allergy may be replaced by a strategic alliance or association without legal associations (legal) forms. TNK and BP, Danone and Unimilk are successful examples of such methods. In this case companies remain independent internationally, but in specific markets provide companies with an equal form of ownership.
3. Annihilation. Mergers and acquisitions preserve the independence of the business structures through their division on the basis of forms of specializations, each of which has continued its independent capitalization and can act subsequently isolated structure of the subject / object of M&A.
4. The use of different methods of practice (trainings, team buildings) adaptation of the personnel to the new, combined company. It is necessary to eliminate the perception people have of the transaction as a "strong overtakes the weak." Both the target and the buyer structure should be equally represented. The employees should be equally evaluated according to unified rules and regulations. Often, jobs in the context of operating synergies are distributed not on the basis of professional competence. M&A transactions ought to become a professional assessment, not only for those who has been bought, but for those who acquires. This principle would ensure fair competition and effective team creation.
5. Development of a new corporate culture. This is a wide spread mistake to assume that corporate culture does not change in M&A. We propose the idea of creating the new culture that appears as a result of M&A, based on the success factors and values that two companies have.

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The Evolution of Open Innovation and Network Strategy among Japan's Manufacturing SMEs: the Era of Open Innovation 3.0

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Abstract

This study examines the qualitative transition of open innovation among Japanese small and medium-sized manufacturers (SMEs). Employing historical case studies, it traces the objectives of open innovation from the period dominated by *keiretsu* to the present. This study identifies three characteristics of innovation networks across the period. Open Innovation 1.0 was characterized by *keiretsu* and SMEs acting as passive subcontractors for large manufacturers. Open Innovation 2.0 was characterized by networks that broadened SMEs' consumer base yet retained SMEs in the role of passive order-takers. Open Innovation 3.0 is characterized by networks for SMEs producing independent products. During the current Open Innovation 3.0 era, SMEs develop and produce original products. The study expands the literature by identifying these historical shifts in open innovation and how Japan's SMEs altered their networks to promote it.

Keywords

Open innovation, SMEs, network, supply chain, manufacturing industry

1. Introduction

This qualitative study traces the transition of open innovation among Japanese small and medium-sized manufacturers (SMEs) and shows how they altered their innovation networks to serve changing objectives. Prior to the 1990s, during the era we call Open Innovation 1.0, Japanese SMEs belonged to *keiretsu* supply chains, processing parts and components as subcontractors of large manufacturers like Sony and Toyota. Never seeking orders from other large manufacturers, SMEs were passive producers who pursued narrow-scale open innovation. During the era of Open Innovation 2.0, spanning the 1990s to 2008, they reshaped their innovation networks to seek orders from manufacturers outside their *keiretsu*. Although they were active producers, they remained a type of subcontractors. Struggling for orders after the 2008 recession, SMEs reconfigured their networks and collaborated to develop and produce original brands, ushering in today's era of Open Innovation 3.0.

As they revised their objectives for innovation and the networks to achieve them, SMEs expanded their core competencies. They improved production skills during Open Innovation 1.0. They became better marketers of their distinctive technologies to manufacturers outside their *keiretsu* during Open Innovation 2.0. During the current era of Open Innovation 3.0, they developed skills to produce and sell original products.

2. Background

2.1. SMEs in Japanese manufacturing

As Dyer and Nobeoka (2000) and Asanuma (1989) explain, until the 1990s Japan's SMEs operated within *keiretsu*, a supply chain network characterized by long-term relationships between a parent company (a large manufacturer) and subcontractors (SMEs). As *keiretsu* members, Japan's manufacturing SMEs continuously improved their production skills, and by doing so they built the reputation of Japanese products for precision and high quality. However, they never sought orders from firms outside their *keiretsu*, nor did they combine horizontally across their *keiretsu*. As component producers who collaborated only vertically within the *keiretsu*, their production skills were concealed and they never developed promotional and marketing skills.

After the late 1990s, however, *keiretsu* weakened as Japanese manufacturers and faced price-intensive global competition. Seeking customers, Japan's public sector, commercial enterprises, large manufacturers and SMEs gravitated towards B-to-B electronic markets, the most successful of which was NC Network (NCN). The first company in Japan to use the Internet to connect businesses, NCN facilitated transactions outside *keiretsu*. SMEs advertised their skills on NCN, and most of its 170,000 registered SMEs attracted new customers (Miyamoto, 2011). Nonetheless, Japan's manufacturing SMEs could not survive the global recession by awaiting orders. They created demand by producing their own branded products (Miyamoto, 2012).

2.2. Open Innovation

Open Innovation offers insight into the reasons underlying these network shifts. Chesbrough (2003) identifies open innovation as a new paradigm, the counterpart of closed innovation in which large manufacturers conduct research and apply its outcomes to product development. Noting that manufacturing research often yields no product applications, Chesbrough (2006) proposes that companies buy novel technologies and sell unapplied research outcomes in the market.

Gassmann et al. (2010) challenge researchers to test the validity of open innovation among SMEs, citing the narrow range of industries—primarily high-tech or software—in earlier studies. In extensive survey research (N = 605), Van de Vrande et al. (2009) investigate SMEs' motives for

pursuing open innovation and find that they undertook in-bound open innovation to meet demands of customers' in their supply chains.

Earlier literature introduces two issues: electronic markets as intermediaries for open innovation and their accessibility by SMEs. Laursen and Salter (2006) examine the viability and limitations of networks, arguing that narrow networks prevent companies from attaining knowledge and extreme openness prevents them from exchanging it. They conclude that open innovation requires networks with adequate breadth and density, which Keupp and Gassmann (2009) subsequently examine. These earlier studies portray electronic markets as an innovation tool with which companies unearth external knowledge and facilitate its exchange.

Chiang and Hung (2010) assert that depth in open innovation promotes incremental innovation and breadth promotes radical innovation. SMEs seeking to broaden their open innovation turned to electronic markets, but their validity remained limited (Arora et al., 2001; Lichtenthaler and Ernst, 2008) because participants' skills need to be combined and managed and procedures and transaction costs remain problems (Enkel et al., 2009).

Although breadth is an important issue in studies of open innovation, understanding its objectives is fundamental. SMEs must differentiate between open innovation for incremental and the one for radical innovation. In addition, the characteristics of networks that facilitate open innovation must be tailored to objectives.

3. Methodology

3.1. Research question

Earlier studies examine the depth and breadth of networks and note the importance of platforms such as electronic markets, but they disregard the issue of open innovation's objectives. If its objectives change, methods and management must change too. In addition, Japanese manufacturing has changed so dramatically that SMEs must revise business models and reshape their networks. This study asks two research questions. What are the objectives and types of open innovation? and What are the characteristics of each type?

3.2. Research method

This study employs multiple case studies (Yin, 1994) to analyze causal relationships and historical shifts in open innovation among Japan's manufacturing SMEs. We conducted repeat interviews with Yasuo Uchihara (CEO of NCN), three staffs of Migakiya Syndicate (a public sector facilitator collaboration of polishing companies) and Tetsuro Tanabe (CEO of Sanmatsu).

4. Analysis

4.1. Open innovation 1.0 (Before the 1990s)

Large manufacturers such as Toyota, Nissan, Panasonic and Sony shaped Japan's *keiretsu* networks. Large manufacturers order components from subsidiaries called Tier 1 companies. Tier 1 companies order components from their own subsidiaries—Tier 2 companies—which often have Tier 3 companies as subsidiaries. Tier 2 and 3 subsidiaries are SMEs, which have some distinctive technology. Assured of customers, SMEs devoted themselves to producing components and improving production skills, not to marketing.

Keiretsu promote long-term relationships, so neither large manufacturers nor SMEs need to look out for other clients. *Keiretsu* discourage opportunistic behaviour, and they promote improved skills that fit to each member's needs. Incremental innovation thrived under this network of long-term relationships, large manufactures and constantly improving SMEs.

4.2. Open innovation 2.0 (1990s–2008)

Accustomed to competing on the basis of product quality, the *keiretsu* network weakened during the 1990s as Japan's large manufacturers confronted global price competition for which *keiretsu* are unsuited. Japan's large manufacturers sought specialized technology from SMEs outside the *keiretsu* through electronic B-to-B markets. In Japan, the most successful electronic market is NCN (Miyamoto, 2011).

NCN became Japan's largest B-to-B electronic market by enabling SMEs to conduct business outside their *keiretsu*. Its search engine, EMIDAS, accesses 17,000 registered SME suppliers. Users narrow their search from general classifications (e.g. mould designing, machine manufacturing and metal casting) to more precise classifications (e.g. metal cast designing and industrial equipment) to a specific trade (press cast designing). Users enter their requirements and are directed to websites of SMEs that meet them. Search engine results appear in a hierarchy ordained by SMEs' technological excellence and customer feedback. Registered companies with lesser technologies and reputations seldom attract attention.

NCN surveyed its registered SMEs in 2003 (N = 419); this study extracts data from its survey, which indicated that approximately half of NCN's registered SMEs received orders (Table 1).

Table 1: Status of Orders through NC Network (in 2003)

(N = 419)	Number	Ratio (%)
Have received orders	194	46.3
Have received inquiries	120	28.6
No comments, or neither orders nor inquiries	105	25.1

Many registered SMEs received orders from multiple companies, and more than 20% received orders from more than 10 companies (Table 2). In one year, SMEs attracted more and more varied customers than were accessible via *keiretsu* and industrial clusters.

Table 2: New Clients through NC Network (in 2003)

(N = 194)	Number	Ratio (%)
1	29	14.9
2–4	78	40.2
5–10	46	23.7
More than 11	40	20.6
No comment	1	0.5

As *keiretsu* members, SMEs improved their manufacturing skills but not marketing or sales skills. Able to find skilled SMEs via NCN, large manufacturers ordered new high-tech components from SMEs. NCN promotes open innovation among SMEs because its platform enabled them to overcome their sales and marketing deficiencies.

In short, open innovation widened its breadth. Extensive collaboration during this period produced a transition from incremental to radical innovation, but not radical innovation. For example, an automobile company accessed a unique electronic technology that enabled it to produce a clutch with lower price and shorter delivery. During this period, SME networks were broad but relatively homogeneous. Even though SMEs attracted orders from large manufacturers outside their *keiretsu*, their networks still conformed to their supply chains, and SMEs essentially remained passive order-takers—subcontractors who never advanced into other value chains (i.e. R&D or marketing).

4.3. Open innovation 3.0 (From 2008)

When the 2008 global recession struck, large manufacturers struggled, and SMEs could no longer be passive subcontractors awaiting orders. To survive, they created demand by producing original products. Doing so required collaboration with designers and trading companies, and collaboration required networks that brought diverse agents together. During Open Innovation 1.0 and 2.0, SMEs served large manufacturers. During the era of Open Innovation 3.0, their homogenous networks became heterogeneous.

To produce independent brands, SMEs had to solve two problems: (1) market needs; (2) product development. They created demand by exchanging technical knowledge with others in their networks and became able to develop branded products despite inexperience regarding marketing and product development.

For example, Migakiya Syndicate, a public sector facilitator for the polishing industry in Niigata Prefecture, expanded membership to include machinery companies, metal moulders and a publisher and coordinated among them to develop products. The publisher took the lead in marketing, metal moulders took charge of producing goods and polishing companies burnished them to enhance their designs. One hot-selling product emerging from this arrangement was a cup that keeps beer frothy and tasty.

Nousaku, a maker of fittings for Buddhist altars, had tin moulding expertise but little experience designing and selling products. After collaborating with designers and other parties, it began producing original brands of cups and baskets. Its tin basket (*Kago*) now sells globally. Customers can configure it into multiple shapes for use as a basket, decoration or plate. Only 100% pure tin is sufficiently malleable for this product, but it is difficult to mould. Other makers of tin items cannot duplicate it.



<Nousaku's *Kago*>

Sanmatsu collaborated with a Magazine publishing company that understood consumer behaviour and a public research institute to develop an iPhone cover that reflects sounds to enhance music and voice transmissions.



<iFrame>

4.4. Discussion

During the Open Innovation 1.0 era, SMEs belonged to *keiretsu* and acted as subcontractors and passive processors who continuously improved production skills but did not market their skills. Dealing exclusively with their *keiretsu* parents, SMEs created narrow but deep networks that promoted incremental innovation.

During the Open Innovation 2.0 era, SMEs turned to electronic markets to improve their production and marketing skills and to attract customers outside their *keiretsu*. Their networks became broad, shallow and homogeneous, but SMEs essentially remained subcontractors.

In the current Open Innovation 3.0 era, SMEs produce their original brands. They shape networks with heterogeneous players and conduct business as producers outside their industries and value chains.

In short, the objectives of open innovation shifted from harmonizing parent–subcontractor relationships to producing original products, and SMEs reconfigured their networks to meet those changing objectives. Their commercial success confirms that breadth of innovation networks does not sponsor radical innovation. Rather, it arises from networks' heterogeneity (Table 3).

Table 3: Summary of findings

	Objectives	Range	Relations
Open Innovation 1.0	Adjust parent company	Narrow but deep	Vertical (homogeneous)
Open Innovation 2.0	Obtain various orders	Broad but shallow	Vertical (homogeneous)
Open Innovation 3.0	Produce original items	Middle and deep	Network with heterogeneous players

5. Conclusion

This study has traced evolution in the objectives of open innovation and characteristics of open innovation networks by answering two research questions: What are the objectives and types of open innovation? and What are the characteristics of networks that promote it? This study has demonstrated that before the 1990s SMEs operated as subcontractors within *keiretsu*. SMEs had little contact with customers outside their *keiretsu*, and they innovated to improve production and product quality, not marketing and sales. Global competition based on price overcame competition centred on product quality, and SMEs shifted their innovation objectives towards attracting customers outside their *keiretsu* via the Internet. Although Internet-based marketing was reasonably successful, it left SMEs in the role of passive order-takers. The 2008 global recession forced SMEs to pursue a new objective for innovation—i.e. to become producers of original products.

As SMEs' innovation objectives shifted, so did the characteristics of open innovation networks. During the Open Innovation 1.0 era, SME networks were narrow and deep, noted for vertical and homogeneous relationships that promoted incremental innovation. During the Open Innovation 2.0 era, networks broadened but remained shallow, and vertical relationships seldom changed. This configuration continued to promote incremental innovation. During the Open Innovation 3.0 era, networks deepened and included heterogeneous members. This shift promoted radical innovation.

Further, this study demonstrated that radical innovation among SMEs arises not from the breadth of their networks but from the heterogeneity of their network partners. This finding supplements Laursen and Salter (2006) and Chiang and Hung (2010), who documented the limits of network breadth and density.

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Determinants of Abnormal Returns after R&D Announcements of Pharmaceutical Companies

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Extended Abstract

The relationship between R&D and company performance is widely discussed both in academia and the business community. The importance of R&D activity for the economy as a whole has been recognized, but for companies it is not as clear, because R&D is related to better performance but also to higher uncertainty. R&D is considered to be a process which results in the creation of unique products and technology which become a source of competitive advantage. However, R&D is much less predictable than operating activity. Only a small proportion of research projects lead to success. Therefore, when new information about a company's R&D is published, shareholders change their expectations about a company's future performance and thus the share price adjusts. If shareholders do not consider R&D to be a significant determinant of a company's value, or the published R&D announcement does not contain any new information, then there will be no abnormal returns.

The pharmaceutical industry is one of the most innovative. The core of their activity is the investigation of chemical compounds and the development of new drugs. R&D is crucial for pharmaceutical companies and their performance and R&D announcements are important signals for investors. Moreover, the R&D process in pharmaceutical companies is externally regulated. Consequently, we expect that all companies or, at least, the majority of them, publish their R&D announcements. It is also extremely important for the management to understand how investors evaluate their R&D activity, and whether or not shareholders positively estimate a new R&D project or its different phases.

However, it is unclear which factors influence the magnitude of abnormal returns after the announcement. Although many papers considered the significance of abnormal returns after publishing new information, less attention has been paid to the determinants of abnormal returns. Usually, company size and earnings are considered as possible factors of abnormal returns, but the research results are mixed and authors interpret the size effect differently. Firm size is correlated with some of a company's characteristics and it can be a proxy indicator for a company's efficiency or analytical attention. Also, most previous studies concentrated on earnings announcements and the determinants of related abnormal returns, while we focus on R&D announcements.

This paper identifies the main determinants of the short-term stock price reaction to R&D announcements of European pharmaceutical companies. This research contributes to a deeper understanding of stock market reactions to R&D news. We extend the range of potential driving forces which determine share price movements.

Our results indicated that stock market investors incorporate new information about R&D in stock prices during R&D process. As it was assumed, the reaction is positive. It means that pharmaceutical

companies can influence stock prices by voluntary disclosure of information about R&D projects in announcements on their web sites. However, if R&D expenditures are disclosed in financial reports, there is no reaction on the R&D announcements. The content of announcements and financial reports significantly differ and can complement each other. Therefore, it needs further research.

Previous research has little evidence about which factors influence the magnitude of the stock market reaction. Chan et al. (1990) found that R&D announcements have a significant positive influence on stock returns only if firms are high-tech. McNamara and Baden-Fuller (2007) and Dedman et al. (2008) investigated pharmaceutical companies in particular. Their results show that the effect of R&D announcements is different for the different stages of the R&D process, and varies depending on the size of the company. Chazi et al. (2014) analyzed the effect of announcements related to the sale and purchase of technology rights. They found an interesting effect of reverse price movement in the subsequent period, which shows an initial overreaction of stock prices.

We consider pharmaceutical companies that operate in the European Union (EU), and the company's ordinary shares which were traded on the stock market at the end of the year 2013. We collected companies' uncontaminated announcements during 2011-2013. Finally, our sample consists of 510 R&D announcements from 27 pharmaceutical companies.

We use two-step methodology. On the first step we use event study methodology to estimate the effect of announcements. On the second step we regressed estimated abnormal returns on three groups of factors: stage of research, content of the announcement and company characteristics. We also separated the observations by two groups – with and without R&D expenditures in the previous financial report.

We find out that some companies reveal the amount of expected R&D expenditures. Generally, this information is available for projects carried out in collaboration with other organizations. Although the higher R&D investments in new project mean lower free cash flows and earnings, the reaction is stronger for higher investments. Probably, investors expect higher returns on large-scale projects. R&D projects financed by another organization also lead to positive reaction of stock prices. We do not distinguish whether the company, which implements R&D, will own the rights on the results of R&D or not.

Stronger reaction on later (clinical) stages of R&D corresponds to previous research and reflect lower uncertainty of clinical research in comparison with early stages. Our analysis also revealed that before a new drug approval dynamics of company's stock prices weakly related to stock market and market model fits data poorly. Thus during this period stocks have low systematic risk that can be used for making portfolios.

In comparison with previous studies made on pre-crisis data (such as McNamara & Baden-Fuller, 2007; Dedman et al., 2008) we reveal lower reaction stock prices and not for all stages of R&D. This can indicate that stock market investors become more cautious and less optimistic.

Both companies and investors are interested in the determinant analysis of abnormal returns after R&D announcements. Companies can use this information to make plans for the additional issue or repurchase of shares. A better understanding of share price dynamics will help investors to make better decisions about short-term investments. Furthermore, the R&D disclosure analysis in financial reports and interim information are beneficial for pharmaceutical and stock market regulators.

Keywords

Disclosure, R&D, pharmaceutical companies, event study, financial reporting

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Deflation in a Monetary Union: Curse or Blessing?

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Extended Abstract

After the recent financial and economic crisis, the “Great Recession”, and the following problems with the sovereign debt and competitiveness crisis in the so-called “periphery” of the European Union, fear about a prolonged crisis and about deflation and the phenomenon of the liquidity trap plagued European policy makers, in particular those of the European Central Bank (ECB) and the European System of Central Banks (ESCB). Monetary policy in the Euro Area at present is directed towards increasing the rate of inflation instead of decreasing it, and “unconventional monetary policy measures” such as Outright Monetary Transactions (OMT) or Quantitative Easing (QE) are planned or enacted to reach this goal. Within the Euro Area, this policy is controversial, and one of the reasons for divided opinions about it are different views about the possible consequences of a deflation. Moreover, there seem to be different interests among members of the Euro Area, with “core” countries putting more emphasis on price stability and government debt sustainability, and “periphery” countries having higher preferences for short-run growth and employment. In fact, many countries are now in the uncomfortable situation of rising public sector deficits and debts due to expansionary fiscal policies enacted during the crisis to reduce the loss in output and employment. As it turns out, those countries which entered the crisis with a lower stock of government debt definitely had fewer difficulties in maintaining macroeconomic and political stability than those which already had a high burden of public debt before the crisis started. Greece is the most prominent example of a country struggling with the consequences of many years of irresponsible fiscal policy. The danger of a split of the Euro Area into a “core” of fiscally sound and a “periphery” of unstable states has become a topic in the media and among politicians.

In this paper we consider the design of stabilization policies for a monetary union under different shocks using a small macroeconomic model of an asymmetric union consisting of two blocs. As in the Euro Area, national currencies and national central banks are completely replaced by a common currency and a common central bank. The two blocs are a “core” and a “periphery”, distinct in terms of the initial level of public debt. The model, called MUMOD2, is a dynamic game model of a two-country monetary union to study strategic interactions between macroeconomic policy makers, namely the central bank and the governments of the two blocs. In this union, the governments pursue national goals when deciding on fiscal policies, whereas the common central bank’s monetary policy aims at union-wide objective variables. We calibrate the model so as to resemble the Euro Area, and subject it to a symmetric and an asymmetric shock, representing the “Great Recession” and the sovereign debt crisis. In spite of the considerable simplifications as compared to the intricacies of the reality of Euro Area macroeconomics, our model replicates the main events of 2008–2014 rather well.

Next, we investigate how different shocks starting in 2015 affect the main macroeconomic variables in the monetary union under different policy arrangements. A no-policy scenario assuming no active role for either fiscal or monetary policy is contrasted with noncooperative (not coordinated) and cooperative (coordinated) fiscal and monetary policies, the former serving as model for the present union, the latter as model for a fiscal in addition to a monetary union. The main trade-off in the model occurs between output and public debt, and the way in which this is resolved is what distinguishes the different scenarios considered.

More specifically, we examine the macroeconomic effects of the following shocks and the resulting optimal fiscal and monetary policies:

- positive and negative demand shocks, symmetric and asymmetric (the latter affecting one bloc only);
- positive and negative supply shocks, symmetric and asymmetric.

Both for symmetric and asymmetric demand and supply shocks, we derive numerical solutions of the dynamic game between the governments and the central bank using the OPTGAME algorithm for determining approximately various solutions of a dynamic game. We show that mildly active cooperative countercyclical policies dominate noncooperative solutions and a scenario of no policy intervention. Optimal policies of both the governments and the common central bank are countercyclical during the immediate influence of the shocks but not afterwards; instead, they call for a fiscal primary surplus as soon as the shocks are over until the targeted level of public debt is reached. Cooperative fiscal and monetary policies are more active than non-cooperative ones, resulting in a different policy mix with higher stabilization effects. In particular, the role of the central bank becomes more productive in the cooperative solution by reducing its interest rate instrument during the shock and increasing it only gradually to its long-run steady state value to support the governments' efforts to decrease their debt.

It turns out that the initial deflation is a problem only for negative demand and positive supply shocks, while it makes dealing with positive demand and negative supply shocks easier. In particular, if a shock increases inflation of either the demand pull or the cost push type, a policy of fighting deflation in not too turbulent times (such as prevailing in 2015) may be counterproductive. In addition, if the asymmetric inflationary shock hits the "periphery" only, the anti-deflation policy helps the "periphery" containing its public debt but creates additional problems of competitiveness relative to the "core". We conclude that a cautious monetary policy of the common central bank seems to be preferable to strong activism not only from the point of view of the "core" (which is more averse towards inflation) but also of the "periphery" in terms of its effects on output and employment.

Keywords

Deflation, monetary union

The Pattern of Levels of FDI in Hungary's Regions before and after the Recent Economic Crisis

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Abstract

This paper examines the spatial patterns of the regional distribution (NUTS-3) of the foreign direct investment (FDI) in Hungary and also the impact of the recent global economic crisis over this distribution. Time series and panel data evidence are provided for the Hungarian counties in the period 2008-2011. Geographical statistical tool was employed to compute data, determine spatial autocorrelation and plot it over geographic maps. The findings show not only an asymmetrical distribution of FDI over the counties, with a high concentration of FDI/capita in capital region, but also the negative impact of the crisis, eastern region's counties registering degrading levels of FDI. The consequences of the unbalanced dispersal of FDI are difficult to evaluate, although it will influence negatively the uniform economic development of Hungary.

Keywords

FDI per capita, asymmetric economic development, Hungarian regions, spatial patterns

1. Introduction

Whilst studies on investment and, in particular, foreign direct investment in Hungary abound, they are most often conducted from a macroeconomic perspective. And relatively little has been published concerning disparities across smaller geographical areas such as Hungary's regions. Whilst macroeconomic factors such as consumption, investment, savings, trade deficit and government spending affect the general trend of GDP, levels of investment are not distributed uniformly across the country. In addition, some counties belong to low investment clusters which are, in general, hard to eradicate. The economic consequences of this disparity cannot be evaluated only by current investment levels, since other indicators such as the unemployment rate are highly relevant. However, since there is no activity targeting convergence in the level of investment at regional level, the situation is unlikely to improve and may well worsen.

This paper attempts to show the distribution of investment over Hungarian NUTS-3 regions by county and spatial patterning and spatial autocorrelation techniques will be used to reveal the determinants of investment indicators across the country. With its current structure of nineteen counties and the capital (the Budapest Metropolitan District) well connected, Hungary may be a relatively small territory, but its geography has a great influence on the economic indicators at regional level. This study tries to answer the following questions:

- What are the spatial patterns of FDI investment?
- Were there any changes in the pattern in the recession period 2008-2011?
- What are the factors influencing the spatial distribution of FDI at NUTS-3 level?

Geoda geo-statistical tool and a specific regional data base we will employed to determine to the following:

- Geographical clusters of the level of FDI at NUTS 3 level
- FDI per capita of the counties of Hungary, to show relation to their neighbours;
- Spatial distribution of FDI per capita in the 2008 and in 2011

2. Theoretical Framework

The importance of FDI for Hungary for its future development is unquestionable, FDI, apart from being a major economic growth factor and a globalization vehicle, is the easiest channel for access to capital, know-how, high technology and access to global markets (Romer, 1993). Studies have found that there is a strong relationship between FDI and GDP, or, more exactly, the GDP growth rate (Bilington, 1999), which may be a good indicator of local demand conditions.

The spatial heterogeneity and spatial autocorrelation of the location is of great interest to foreign companies when determining the location for their intended investment abroad (Casi & Resmini, 2011). US financial investors on the domestic market are more likely to invest in those equity funds which are closest geographically (Gal, 2010; Coval & Moskowitz, 1999). Multinational enterprises decide on a location in another country if, among other factors, there are other multinationals, especially from the same country of origin, present in the location (Nwaogu, 2012) - which underlines the importance of the agglomeration of MNCs in a specific region. This represents a strong argument for policy-makers to consider the specific regional differences, in formulating the strategy for attracting foreign investment (Casi & Resmini, 2011). Haufler and Wooton (1999) argued that foreign enterprises clearly favor those locations in bigger markets as well as those with attractive taxation and tariff systems – one reason for disparities among regions from the FDI point of view. Clearly, it is equally important that the development of other adjacent regions also influences FDI inflows. Foreign multinationals try to locate their capital investment more in bigger markets, and these are mainly found in the regions surrounding the capital and in other more developed zones - also leading

to spatial differences in the economy of a country (Guimaraes et al., 2000). Monastiriotis and Jordaan (2011) in an article analyzing data from 20,000 firms, found that those regions comprising less developed areas are unable to attract such high quality FDI as those in well-developed regions, but, rather, low quality FDI. This explains the persistence of under-developed regions. To determine how FDI is distributed in a given area, and how this is influenced by neighboring regions, researchers used spatial analysis (Chakrabarti, 2003; Nwaogu, 2012). The literature review provides the theoretical framework necessary to study the geographical differences of regional FDI investment.

3. Data and Methods

3.1. Data

The choice of studying Hungarian regions at NUTS III level is based purely on regional development policy considerations. The dependent variable for spatial regression is FDI per capita per each of the 19 Hungary's counties and Budapest. For our study, we retained the variable value for 2008 and for 2011 – broadly coinciding with the beginning and the end of the crisis. The FDI data are taken from the Hungarian Central Statistical Bureau (KSH). These data are sourced in the annual survey of economic statistics, and the total FDI per capita is expressed in millions of HUF per capita.

The independent variables correspond to each county, as follow: the GDP per capita, number of enterprises, and the number of students resident in the county with Bachelor or Master degree. The empirical results could be detected by the missing variable of other important factors which are not available at the moment for the study, and also by not using spatial analysis for neighbor countries - which may/may not have an effect on Hungarian counties.

3.2. Methods

For the study ESDA sets of methods with the help of the Geoda software program were used. Generally, the exploratory spatial data analysis (ESDA) is a data –driven method utilized to describe the spatial distribution, spatial association in order to discover patterns and clusters, to determine the role of spillover, using techniques such as spatial autocorrelation and spatial regression (Anselin, 1988, 1999).

3.3. Spatial autocorrelation

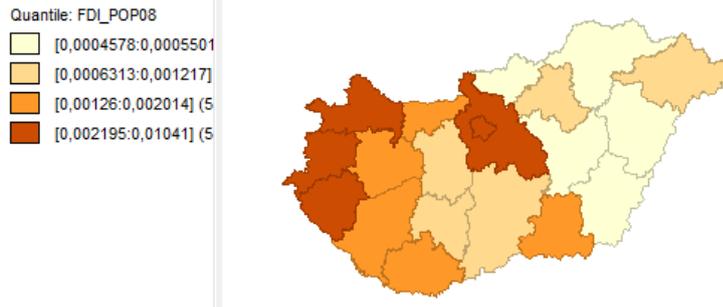
Global Moran's I, a Moran scatter plot and Local Indicator of spatial analysis (LISA) is utilized to determine the spatial pattern and clusters of high and low county investment. The method is also described by Anselin (1999) as a complex way to identify the clusters - understood as patterns of spatial association. The autocorrelation method is useful to point spatially the clusters and to identify which counties with high and low investment are located to another county on the map.

4. Results and Discussion

4.1. Mapping the distribution of volume of investment across Hungarian counties

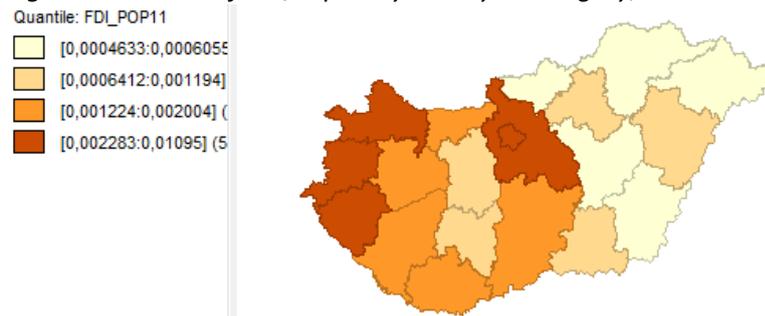
As we can see in Figures 1 and 2, the maps show the distribution (quartile) of foreign direct investment per capita for 2008 and 2011 respectively.

Figure 1: Volume of FDI/capita by county in Hungary, 2008



Source: KSH

Figure 2: Volume of FDI/capita by county in Hungary, 2011



Source: KSH

As appears in both maps, for the beginning and the end of the period, in the area of the capital (Budapest) and of the surrounding county, Pest, as well as in North-Western counties, the investment per capita is in the highest quartile - 75% to 100% above the national average (brown colored counties). If we look the evolution of investment, over these four years, it can be seen that the FDI investment rate changed positively only in Bacs-Kishun county, which became a region where investment is far above the national levels. This may well be due to the building of the Mercedes factory which represents a massive FDI received in the region. This creates positive externalities for the economy of the county, similar to that of the Audi plant example. Further, Hajdú-Bihar registered higher FDI per capita whilst Csongrád, and Szabolcs –Bereg show a decline in these levels. This confirms that, for Hungarian counties, the spatial distribution of regional FDI is more complicated than the simple core-periphery framework, as taught.

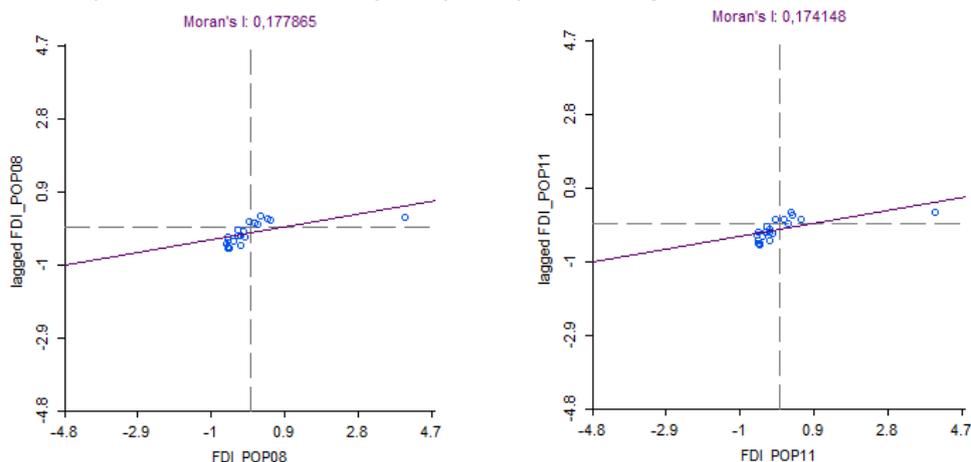
4.2. Weighted matrix

Since Hungarian counties and the capital are contiguous, the rook contiguity method will be employed. This method analyses straight - horizontally and vertically - the neighbors for building up the weighted matrix.

4.3. Spatial autocorrelation

To determine the existence of clusters, the Moran I scatter plot was used. The graph in Fig.3 shows the Moran I value, the regression slope, as the relationship between FDI per capita for a given county and the mean value of the same value's neighbors –which is the spatial lag.

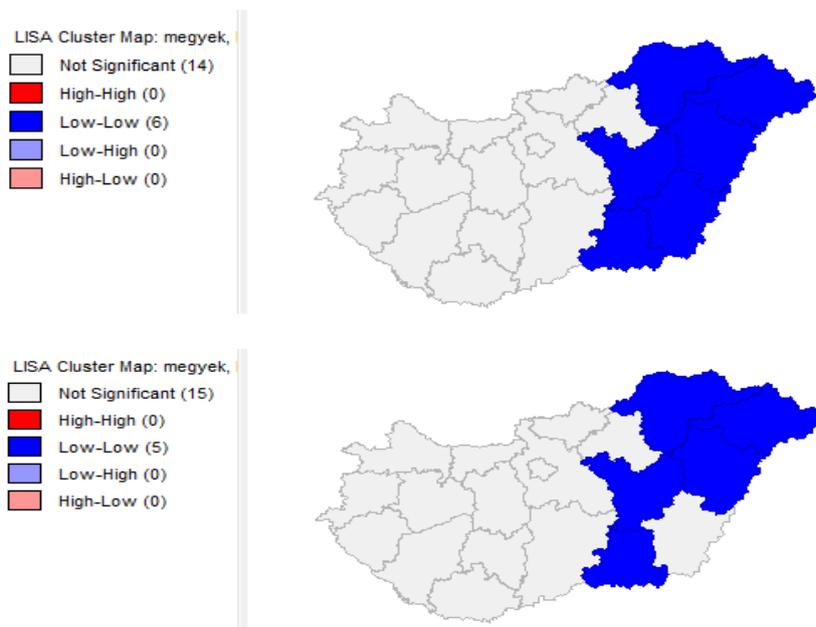
Figure 3: Spatial autocorrelation of FDI/per capita in Hungarian counties in 2008 and 2011



Source: KSH

The Moran statistics are positive and significant ($p < 0.005$), which means for the regional NUTS-3, the FDI-rich/poor per capita regions have a propensity to be clustered close to other similar regions, which means that the distribution of FDI is not random. The counties in the bottom left quadrant are low level beneficiaries of FDI/capita and spatial lagged FDI/capita (spatial weighted average of the neighbours) which represents so-called positive spatial autocorrelation (Anselin, 2003). This method is useful to determine whether the global spatial association is present but not good to catch up the patterns of local spatial association, which is not able to show the group of counties with high or low values which are statistically significant. For this purpose, LISA method will be employed, as below shown in figure 4.

Figure 4: Local indicator of spatial autocorrelation of FDI/per capita in Hungarian counties in 2008 – in the upper side and 2011 in lower side



Source: KSH

The LISA is calculated for every observation, in order to find an indication of the extent to which there has been significant spatial clustering of similar values in the vicinity of that observation. Further, the sum of the LISA statistics for all observations will need to be proportional to the global

indicator of spatial association obtained previously (Anselin, 1995). As could be seen, the counties in the East of Hungary show a significant statistic ($p < 0.05$) of clustering for low-low value of FDI/capita and its lagged value (see blue colored counties), which may be explained by the proximity of other low developed regions of Ukraine, Romania and Serbia. During the crisis period Hajdú-Bihar county was added to the cluster of low-low counties.

The persistence of these clusters with low FDI/capita is strong evidence of the inequality of development among Hungarian NUTS-3 regions and of the continuity of these disparities of the inflow of external investment. It might be interesting for future research to reveal if these findings have remained in the latest post –crisis years, performing a spatial-time autocorrelation over a longer period of time for which statistical data are available - to see if the counties in this cluster have implemented measures to attract FDI or to replace it. It will also be worth determining why other Hungarian counties perform much better in this respect by taking a closer look of their economic structure and so understanding if any national or local policy could reduce the differences.

5. Conclusions

The aim of this paper was to determine the pattern of spatial distribution of FDI in Hungary at NUTS-3 level, its evolution through the crisis period (2008 – 2011) and to gather information about those factors which influence this. For this we investigated the relation between the spatial distribution of FDI per capita for each Hungarian county and Budapest and the lagged values of the surrounding counties, for both 2008 and 2011. We found that there is a spatial autocorrelation in the distribution of FDI per capita, for some counties with low-low values of FDI/capita and their lagged spatial values, by using Moran's I method for the global spatial autocorrelation. Consequently to detect the cluster of those counties we employed local indicator spatial autocorrelation method LISA. It followed that counties located on the Eastern border of Hungary have a positive spatial autocorrelation; statistically significant for the FDI/capita and also that the situation worsened between 2008 and 2011. Hajdú Bihar county joined this low-low value cluster in 2011, although the other counties are spatially unchanged. The research may be complemented in future research to determine the factors responsible for the FDI spatial asymmetric distribution and also to examine the inter-regional pattern with other countries in the vicinity.

The Hungarian authorities should adopt a long-term strategy to improve the conditions of those eastern located counties, by using structural funds, to be able attract FDI and should also put more efforts into addressing the unbalanced distribution of investment as a necessity for uniform economic development at country level.

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User-Generated Brands versus Corporate-Generated Brands: The Impact on Brand Perception and Consumer Behavior

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Abstract

Applying an experimental research design, our study explores how user-generated brands (UGB) versus corporate-generated brands (CGB) affect consumers' brand perception and their behavior. More specifically, our study explores how consumers perceive the fictitious brand named Hiatus (UGB vs. CGB) in terms of likeability, authenticity and self-brand connection and how these brand perceptions shape consumer behavior with regard to word of mouth and purchase intention. Hiatus produces and markets skis for the freeski segment. Findings show that UGBs lead to more favorable brand perceptions and thereby result in more profitable consumer behavior than traditional CGBs. Moreover results show that consumers' self-brand connections with UGBs increase, if participants belonged to the freeskiing target group, emphasizing the importance of peer-effects in branding. Our study sheds light on the emerging phenomenon of UGBs and contributes to a better understanding of how passionate consumers increasingly turn into valuable resources for marketing and branding strategies.

Keywords

User-generated brands, commercial brands, brand perception, peer-effects

Competitive Strategies of IT Companies in Times of Crisis

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Abstract

The changes occurring in the global market, related directly or indirectly to the recent financial crisis, significantly affected almost all areas of the economy, as well as the behavior of modern companies operating in different sectors. The survival and success of companies in such times need a new approach to strategy and competitiveness. The aim of this paper is to present strategic choices in companies, taking into account conditions of global unstable market. The empirical research presented in this study includes an analysis of strategies in IT companies in terms of their market position. The study analyses the companies from the IT sector listed in the Warsaw Stock Exchange. Time period of the research was the years 2009-2013.

Keywords

Strategy, crisis, competitive advantage, economic value added, IT sector

1. Introduction

The beginning of the new century has brought new challenges for companies. The changes occurring in the global market, related directly or indirectly to the recent financial crisis, significantly affected almost all areas of the economy, as well as the behavior of modern companies operating in different sectors. The survival and success of companies in such times need a new approach to competitiveness. Increasing number of factors that affect company's environment and the interactions between these factors cause that the companies have to cope with unexpected and incessant changes in their environment. Global market turned out to be unstable and prone to crises.

The empirical research presented in this study includes an analysis of strategies in IT companies in terms of their market position. The study analyses the companies from the IT sector listed in the Warsaw Stock Exchange. Time period of the research was the years 2009-2013. The focus on the IT sector was caused by the fact that the sector is considered to be modern and knowledge-based. The research aims to determine which of the strategies can be a model for action in an unstable environment, how to bring them into the market and help the company maintain a competitive advantage.

2. Strategy in Times of Crises

A core concept discussed in the field of strategic management is strategy. Strategy cannot be regarded in the context of strategic management. Both concepts of strategy and strategic management are not characterized by unification. There is a widespread view that each company needs a strategy, but despite a number of various definitions of the strategy in the literature, it is difficult to state what the strategy actually is. One of the first definitions of the strategy in management sciences was introduced by A.D. Chandler, who argued that: "a strategy expresses long-term goals of the organization which reflect general objectives of activities and presents allocation of the resources which are necessary for achievement of the goals" (Chandler, 1962). From that time the field of strategic management has progressed significantly. Theories from a number of disciplines (i.e. economics, sociology psychology) have been used to understand phenomena in strategic management research. Each perspective provides a unique set of theoretical insight, but still are not putting together in one view (Bowman, Singh and Thomas 2002). There are a number of schools of thought in the strategic management e.g.: design school, planning school, positioning school, learning school or recourse-based school (see more Mintzberg & Lampel, 1999). These schools are characterized by varied approach to formulation of the strategy and its content and they point to different standpoints to competitive advantage. Each school also otherwise interprets the term strategy. Various interpretations of the concept of strategy and various schools of thought of strategic management presented in the literature do not have an integrative character. The approaches to strategic management differ not only in terms of paradigms adopted, analytical tools and also in the course of strategic choices and type and role of the entities involved (Urbanowska-Sojkin, 2011). Consequently, choosing which definition of strategy and the school of strategic management is the best seems to be not easy, neither for entrepreneurs nor for scholars. According to Markides (2008) „rather than depend on one perspective at the expense of all others, good strategies encompass elements from all the different perspectives and points of view”. Moreover scholars try to find out the answer on two important questions: ‘why are some companies more successful than others?’ and ‘how can we make a given company more successful?’ (Bowman et. al., 2002). It seems obvious that ‘although strategy is one of the most taught and studied concepts, it is paradoxically also one of the least understood’ (Ronda-Pupo & Guerras-Martin, 2012). The variety of definitions of strategy results first and foremost from changing conditions of enterprise operation, goals set and methods of achievement of the goals. On the one hand, the environment for operation of enterprises creates specific conditions of operation, which allow for achievement of the autonomous goals. On the other hand, this also involves certain requirements to be met by the

enterprises in order to ensure the relative consistency of existence. (Borowiecki, 2011) Hence, a more contemporary definition of the strategy interprets the strategy as a "plan of action that determines a long-term direction and scope of activities in the organization. Through its own configuration of resources and competencies, the organization achieves a competitive advantage in the variable environment in order to meet the stakeholders' expectations (Johnson, Scholes & Whittington, 2009).

The market environment in which the structure and rules of the game are unstable and unpredictable and constant pursuit of strategic change is essential to the success of the company. Nowadays, volatility and turbulence of company environment is an arena of competitiveness of companies. It is impossible to obtain long-term competitive advantage of companies in such conditions. Companies should focus on the use of temporary advantages that can combine to ensure a long term advantage. Under the rapidly growing uncertainty, the atmosphere of being precautionary and activity limitation has developed. However, conservative activities are not safe for businesses, because businesses cannot afford to rest on passive expectations. Companies which are uncompetitive and unable to create value at least at the normal level (i.e. not lower than the expectations of key stakeholders) are doomed to failure.

This discourse seeks to answer to the question of which strategies under conditions of global turbulent market can allow for competitive advantage? Currently, the search for new competitive strategy and sources of achievement of a competitive advantage has intensified. Also, with the companies' development, the methods of strategic management should evolve. Small and just started companies choose different methods of strategic management than mature organizations with significant resources, great development potential, but also more formal requirements. Companies implement their strategies through organic growth, acquisitions or strategic alliances.

Global market is characterized by intensified competition and pressure resulting from various sources. Under such unstable conditions of the environment, enterprises are forced to abandon conventional practices of business activities which were adequate for conditions of stability in favor of the methods of operation more adjusted to highly dynamic environment (Tomski, 2011). Changes in operation of enterprises and changes in their environment cause that both strategy and competitive advantage are evolving (Table 1).

Table 1: The approach to the strategy and competitive advantage in the context of environment

Enterprise environment	Enterprise goal	Approach to strategy	Competitive advantage
Stable	Profit for owners	Static	Permanent
Turbulent	Value for customers and shareholders	Dynamic	Temporary

Source: Otolá, 2013a.

The conditions for business activity created by the external surroundings of enterprise and building competitive advantage require that the decision-making processes take into consideration the changes in the strategy content, especially in the area of strategic management. In this context, Krupski's observations seem to be justified. This author found that "strategies of organizations that operate in turbulent environment should be flexible. This flexibility can be achieved through (Krupski, 2009):

- departure from the description of the enterprise under categories of products and markets towards the category of resources which determine the effective utilization of opportunities,
- inclusion of more problems concerning acquisition and utilization of the resources over the longer period of time,
- assumption that the strategy's content should be the plan of creating the conditions to utilize the opportunities,

- indication that the alternative for the strategy based on opportunities can be simple principles of enterprise's operation,
- assumption that the only acceptable form of strategy in terms of products and markets is the dynamic form of scenarios and transition between each other or in the form of option,
- not balancing of the strategic plan with the excessively ambitious aims and excess resources.

Therefore, the flexibility of strategy is aimed at improvement in the effectiveness and competitiveness of the enterprise. Flexibility represents an ability to cope with uncertainty. It is connected with ability to respond to changes through creation and choice of recoverable options of enterprise's functioning and development as well as creating the methods and resources to implement changes in these options while maintaining the continuity of operation and optimal engagement of expenditures and time.

3. Relationships between the Strategies in IT Enterprises with Competitive Position

Our study focuses on the application of strategy in enterprises from the IT sector listed in Warsaw Stock Exchange in the context of their competitive position. The empirical part of this study is based on the analysis of the data obtained from reports and other documents prepared by boards of directors in joint stock companies. Due to the availability of the data, the study was carried out in the period of 2009-2013.

The subprime crisis started to reveal in 2006 with the fall in prices of real estate, but the difficulties in the market of mortgages and serious problems of financial institutions were observed between July and August 2007. Culmination of the problems of financial institutions, especially banks in the United States was observed in September 2008 and moved to financial markets in other countries, not including European countries. The shocks in the United States were transferred through the stock exchange channel into the Polish capital market. Examinations on market contagion effect support this thesis (Otola, 2013b; Burzała, 2013). If the American economy in the 3rd quarter of the year 2009 started to overcome the crisis, the Greek crisis began in Europe. This reflects the conditions in which Polish stock exchange companies had to operate. Although international financial and rating agencies presented the same assessment of the resistance of the Polish economy to the crisis, the hard statistical data (reduction in the dynamics of growth in GDP and the increase in the bankruptcy of enterprises) point to the symptoms of recession (Zełek, 2011; Antonowicz, 2012; Otola, 2013b). Starting from the half of 2008, Polish companies experienced more and more difficulties in repaying the debt. The level of incomes on sales was also decreasing. The increasing recession in the economy culminated in 2012.

Using the synthetic approach to the parameters of competitive position of the enterprise and assumption that the competitive position of the enterprise results from competition reflected in additional value generated in the enterprise, it can be considered e.g. in the form of the economic value added (EVA). The measure proposed reflects the difference that occurs between real rate of return on the capital invested and the minimum rate of return i.e. the cost of foreign capital and internal capital (Cwynar & Cwynar, 2000).

Table 2: Ranking of companies from the IT sector according to EVA/IC

Company	2013			2012	2011	2010	2009		
	Ranking	EVA/IC	EVA (thous. PLN)	Ranking	Ranking	Ranking	Ranking	EVA/IC	EVA (thous. PLN)
Simple	1	23	3 471,50	1	4	1	8	-0,88	-93,14
ZUK Elzab	2	16,5	7 940,60	10	17	12	4	2,3	1 013,53
PC Guard	3	14,1	8 700,30	4	3	14	24	-20,03	-2 566,17
Atende	4	11,5	6 927,80						
Macrologic	5	10,5	3 149,90	3	5	4	1	20,83	4 696,01
Talex	6	5,3	2 180,80	23	25	15	23	-17,15	-8 302,95
Power Media	7	4,2	184,9	12	6	23	26	-40,41	-3 262,72
Opteam	8	3,7	854,3	6	12				
Comp	9	1,6	6 480,20	21	14	13	11	-4,11	-13 209,88
Asseco BS	11	0,7	1 806,50	9	10	10	9	-3,74	-9 455,72
ATM	12	0,5	1 534,70	11	13	7	13	-5	-13 304,03
LSI Software	13	0,3	65,6	13	16	8	10	-3,88	-736,99
Asseco Poland	14	0	-2 433,80	8	9	6	7	-0,67	-28 306,46
CD Projekt Red	15	-0,8	-1 145,80	2	2	27	27	-50,22	-2 890,91
Procad	16	-1,6	-227,9	18	21	22	22	-15,19	-2 631,09
Wasko	17	-1,8	-3 627,60	15	11	17	18	-10,37	-17 089,95
Qumak - Sekom	18	-3,3	-3 379,30	7	7	2	2	8,01	5 498,98
Asseco SE	19	-3,8	-25 284,20	14	15	25	nd	nd	nd
NTT System	20	-4,3	-5 325,10	19	22	24	21	-13,92	-18 109,41
Comarch	21	-5,5	-39 561,70	16	19	19	16	-8,33	-54 563,06
Arcus	22	-6,5	-3 956,00	22	27	18	14	-5,76	-3 771,98
Infovide-Matrix	23	-10,5	-19 807,10	20	20	11	6	0,1	188,6
Unima 2000	24	-12,5	-2 129,30	17	24	21	12	-4,65	-947,62
Quantum Software	25	-12,4	-1 656,50	24	26	20	15	-6,53	-1 102,04
Calatrava Capital	26	-35,9	-10 342,50	26	1	16	20	-13,33	-9 133,85
B3System	27	-83,3	-10 945,00	25	23	9	19	-12,22	-2 253,00
One-2-One				27	28	28	17	-9,31	-1 873,34
Sygnity					18	26	25	-33,17	-133 712,86
Novitus						3	3	4,51	3 336,39

Note: To ranking the companies EVA/IC was used; the grey area means that the company was not listed at that time on WSE.

The poor financial results of IT companies are reflected in the values of EVA and EVA/IC (see table 2). The results obtained for the economic value added and economic value added to investment capital reveal that these measures had negative values in the most of the enterprises. This means generation of the lower rate of return on the capital invested compared to the expected minimal rate of return. In 2009-2012, over 74% of the companies studied reached the negative values (with as many as 85% of the companies in 2012) One positive observation is a great change in the EVA and EVA/IC measures in 2013. Negative values were found in only 54% of the companies studied, whereas 46% of the companies generated value added and the rate of return on investment greater than expected. The highest positive relation of economic value added to invested capital in 2013 was achieved by Simple, with its level reaching 23%.

Positive rates of return are a prerequisite which is insufficient to generate additional value in the enterprise (Grabowska, 2014). Negative level of EVA measure means that the rate of return for

investors is lower than expected. Creation of value added means that the actual profitability achieved must exceed the minimal rate of return expected by shareholders and creditors. At the same time, it should be emphasized that the measure of economic value added is an absolute measure. Furthermore, comparing two or more enterprises in the aspect of managing value requires using the indices that reflect value creation, expressed in relative terms (Grabowska, 2014). Therefore, better measure that allows for comparison of competitive position in different enterprises is to reflect the values of EVA to the capital invested.

Analysis of the methods to implement competitive strategies and the type of the strategy adopted in IT companies was carried out based on the analysis of documents (including reports on business activity) prepared by the companies and available in their websites. Among 29 business entities studied, 69% did not have a document containing the strategy in their websites. Only a third of the companies studied decided to present their strategy. However, it should be emphasized that this documents do not always concerned the strategy but the information about the objectives and methods adopted for development. In the companies without documents containing the strategy, we collected the knowledge from the description of further development contained in the annual reports prepared by the boards of directors. The detailed analysis focused on two years: initial year of the study (2009) and the final year of the study (2013) in order to examine the changes in the approach to both implementation of the strategy and its type (table 3).

Table 3: Methods of implementing strategy in IT companies

Method	Number of companies	Share %
Organic development (OD)	10	34%
Mergers and acquisitions (M&A)	17	59%
Strategic alliances	3	7%
Lack of information	9	31%
OD + M&A	7	24%
OD + M&A + Strategic alliances	1	3%

Note: the share does not add up to 100% since the companies can select several types of strategy.

Among the methods to implement strategy in 9 companies (which accounts for 31% of the entities studied) no information about implementation of the strategy were found. 34% of the companies studied points to the implementation of the strategy through organic development and 59% by means of mergers and acquisitions. However, it should be emphasized that 24% of companies utilize two methods to implement the strategy: organic development, mergers and acquisitions. One of the companies expressed the willingness to develop using each of the possible strategic method. Strategic alliances as a method to implement strategies were proposed by two companies (7%). B3System and One-2-One search for a strategic investor, whereas the latter company emphasized that this is supposed to diversify their activities. Therefore, the investor should provide similar rather than the same services.

The most of the enterprises defined the objectives for strategic development using a classic approach proposed by Ansoff (1970), which points to the four major strategies:

- market penetration - aimed at increasing the sales of currently manufactured products in the current markets,
- market development - connected with external expansion, i.e. finding new markets for products and services,
- product development - connected with implementation of new products which would potentially be attractive in current markets,

- diversification - regarded as the most complex of the strategies, is aimed to distribute the risk of business operations through opportunities for development of new products and offering them in new markets.

Furthermore, we took into consideration the strategies which are present in the documents and cannot be ascribed to strategy in the dimension of markets-products. The following types of strategy:

- specialization understood as a conscious resignation from diversification, concentration on a particular range of activities,
- limitation of activities, which means closing the company or its part, withdrawal from a geographical market, resignation from product group or customer group,
- investments which reflect the construction of new parts of companies, new technological lines, purchase of important technology or investments in research and development,
- restructuring connected with the change of company structures, new organizational principles, implementation of essential information systems,
- outsourcing i.e. subcontracting of the part of activities to the external companies or division of such companies from parent organization.

In this case, the examinations were carried out for two years (2009 and 2013). The documents of companies which were listed in a specific year of the study in the Warsaw stock exchange and belonged to the IT sector were analysed. There were 26 such companies in 2009 and 28 companies in 2013.

Table 4: Types of strategy in IT companies in 2009 and 2013

	2009		2013	
	Number of companies	Share %	Number of companies	Share %
Diversification strategy	4	15%	6	21%
Product development strategy	12	46%	15	54%
Market development strategy	6	23%	7	25%
Penetration strategy	6	23%	6	21%
Specialization	1	4%	1	4%
Limitation of activities	1	4%	0	0%
Investments	1	4%	2	7%
Restructuring	4	15%	4	14%
Outsourcing	0	0%	0	0%

Note: the share does not add up to 100% since the companies can select several types of strategy.

The most of the companies in the years studied declared the product development strategy (Table 4). This remains to be the most basic strategy which allows a company to extend the range of goods through addition of new product lines, extending product specifications and improvement of their functions and adjustment of these functions to various market segments. Furthermore, the companies implemented the market development strategy in order to ensure territorial expansion i.e. enter into new geographical markets. Part of the companies claimed that the best way to conquer new markets is acquisitions and mergers. Over 20% of the companies studied decided to adopt the penetration strategy, paying attention to the activity aimed at improving the value of incomes on sales. The share of diversification strategy increased by 6 percentage points in 2013 compared to the year 2009. This means the first conclusions drawn from the crisis. A more flexible approach to the strategy that allows for distribution of the activities might turn out to be an effective way to ensure effective operation of the company. One of the companies (Calvaria Capital) decided to adopt the specialization strategy and restructuring strategy. If restructuring in 2009 was caused by previous acquisition, in 2013 this was caused by poor financial results. In 2009, CD Project Red

presented its strategy as limitation of activities, since acquisition of Optimus (the company involved in the assembly of PC computers) was made in 2010. CD Project Red is now a leader in computer games in Poland, with "Wiedźmin" being its flagship product. None of the companies declared the outsourcing strategy, which should not be surprising since it is the companies from the IT sector that are the most often involved in outsourcing services.

Table 5: Relationship between EVA and EVA/IC measures and a method to implement strategies

	2013		2009	
	Positive EVA, EVA/IC	Negative EVA, EVA/IC	Positive EVA, EVA/IC	Negative EVA, EVA/IC
Number of companies	12	14	5	21
Percentage share of companies used OD	15%	19%	8%	19%
Percentage share of companies used M&A	19%	35%	4%	42%
Percentage share of companies used strategic alliance	0%	8%	0%	8%
Percentage share of companies with lack of information	15%	12%	8%	27%

Analysis of the competitive position determined by EVA and EVA/IC measures, the set of 26 companies was divided into two groups (table 5). The first group, where the measures are represented by positive values and the second, where the companies did not generate the value added. Among the companies which reached positive levels of EVA and EVA/IC measures, 19% decided to implement strategies through mergers and acquisitions and 15% by organic development. It should be emphasized that only 5 companies in 2009 reached positive values of EVA and EVA/IC measures. 42% of the companies studied made a decision on mergers and acquisitions which, in the context of crisis was not an effective strategy. Companies that implement internal development strategies accounted for 19% in both periods studied. Positive measures were not found in 15% of the companies while negative measures were not observed in 12% of the companies in 2013 and 8% and 27%, respectively in 2009.

4. Conclusions

Years 2009-2012 are the period of recession, reduced demand and the economic slowdown also noticeable in the IT industry. Although 2013 was more stable, the companies still don't undertake strategic investment activities. Some companies noticed the need to diversify its activities, some of them while looking for strategic investors. This situation was mainly due to the economic environment of companies, and primarily related to the still unstable euro zone. A noticeable is the rational decision-making in companies from the IT sector. The changes that have occurred in the market during the crisis led to bankruptcies even among listed companies on WSE. Among the IT companies mergers and acquisitions took place, but there has been no bankruptcy (which, for example, strongly affected the construction sector). In addition, it should be noted that companies that were under emergency conditions take a decision on the IPO.

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Analytical View on the Issue of the Effective Use of Selected E-Marketing Communication Tools on Facebook by Small and Medium Sized Enterprises Operating In the Central European Market

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Abstract

The objective of the paper is to analyze and then interpret basic prerequisites for efficient use of selected e-marketing communication tools on the social networking site Facebook by small and medium enterprises predominantly operating in the Central European market. Related issues such as the impact of the absolute number of fans of the model fan page on the average number of likes, shares or comments are analyzed as a part of partial objectives.

Small and medium enterprises predominantly operating in the Central European market, which actively use social networking site Facebook for their e-marketing communications are subjects of this analysis.

From the perspective of main findings, basic recommendations for the efficient use of selected e-marketing communication tools on the social networking site Facebook are described in terms of improving the expected user interactions, based on two independent analyses, i.e. analysis of secondary data from one of the leading Slovak marketing agencies and the subsequent analysis of selected small and medium-sized enterprises (which, for the purposes of this paper, represent a model entity). The findings and information presented in this paper can help improve understanding of related issues affecting effective implementation of resources (time and finances) by entities using e-marketing tools, particularly e-marketing in the context of the social networking site Facebook for the purpose of self-promotion and branding.

Keywords

Marketing, social media marketing, social networks

1. The Current State of the Analyzed Issue

The phrase social network is a sociological term originating in the mid-20th century, which describes the social structure linked by friendship, common interests, religious orientation, common race, and so on. The addition of the word virtual means, that these social networks develop, when their users are connected to the Internet (Pavliček, 2010).

American researchers Boyd and Ellison (2007) define virtual social networks as Web services, which enable individuals to:

- create a public profile within a bounded system,
- articulate a list of other users with whom they share a connection,
- view and traverse their list of connections within the system.

The communication element is highlighted in Macek's definition (2011), according to whom virtual social networks are egocentric communication platforms, in which user profiles through which users can view profiles of other users and communicate with them, take the central position. Virtual social networks are based on a combination of different methods of communication, where sharing is the most important one. It is a public space, which allows users fulfil social norms, express their opinions publicly, learn from reactions of others and give events and statements value of reality as that they can confirm them as witnesses (Bednář, 2011). The concept of a social network can be viewed from two perspectives. The first perspective is a part of sociology, the second is a part of the Internet.

From a sociological perspective, we define the social network using sociological dictionary as follows: A social network is a set of entities connected by exchange relationships. Entities form nod points of the network, while relationships are expressed by connecting lines of these points. Social network can thus be understood as interconnected groups of people integrating and influencing each other, while the sphere of their interaction includes a varied content from common interests, religious or racial affiliation after sharing a variety of common experiences (Petrusek & Vodáková, 1996).

From the perspective of the Internet social network is defined as an Internet service that allows registered users create and edit personal/corporate public/non-public profile and use it to communicate with other users, share various kinds of information, photos, videos, chat, and perform other activities (Kulhánková & Čamek 2010). Virtual social networks go far beyond technology and media. It is one of the most prominent sociocultural phenomena of this decade. By developing new types of everyday interaction, which implies the possibility of new types of relationships with gravity to form, social websites like Facebook, MySpace and LinkedIn fundamentally change our lives and work style and the way connect with others (Shih, 2010).

As individuals, we have two sources of personal competitive advantage: human capital and social capital. Human capital that includes talent, intellect, charisma and formal authority is important for success but often it cannot be controlled directly. On the other hand social capital is derived from our relationships (Boyd & Ellison, 2007). Research shows that due to transfer of the network on the web people are more capable and more efficient in assembling and use of social capital. Consciously or unconsciously they use Facebook and LinkedIn, for example as a tool for maximizing their social capital from relationships:

- Private information – frequent, informal communication which happens on social networks, contains private information. Emotional relationship between individuals on a social network is transferred to their offline relationships and thus increases the likelihood of information exchange.

- Varying offer of skills, HR managers, recruiters and others can simply search profiles of LinkedIn or Facebook members, who correspond to the required skills and then contact them directly or view their activities.
- Energy and attention of others instead of absorbing their own network with spam in the form of bulk mail, social network members can passively offer opportunities on their profiles in the form of status and thus have the approached parties to articulate interest themselves (Shih, 2010).

Online social networks are based on a combination of different methods of communication, where sharing is the most important one. It is a public space, which allows users fulfil social norms, express their opinions publicly, learn from reactions of others and give events and statements value of reality as that they can confirm them as witnesses (Bednář, 2011).

The most important advantage of online social networks is, according to Ellison, Steinfield and Lampe (2007), social capital which is a result of formation and maintenance of interpersonal relations. The main reason of using online social networks is keeping in touch with friends and acquaintances. This is also true of our memories. Four of the most common reasons for users are contact with friends, planning with friends, organizing events and getting advice and recommendations. Companies and other institutions may use online social networks to, for example, inform about interesting events and other events, because sending invitations to interesting events is one of their basic functionality (Karlíček & Král, 2011).

Social networks are also an effective tool for public relations. If users are offered an interesting topic, they can very efficiently spread all types of petitions and similar initiatives through social networks. Social networks also allow to bring brands closer to customers, increase their popularity and strengthen their image. Functionality of social networks enables users to add their favourite brands to their personal profiles. Foreign research suggest that "fans" of brands on online social networks are much more prone to buy a brand or recommended it to their friends (Zamazalová, 2010).

Marketers need to be where their customers and potential customers are, which is, more and more frequently, on social networking sites. Sites such as Facebook or MySpace have hundreds of millions of active users. 2.6 billion minutes are spent on Facebook every day. Social networks are a rapidly growing global phenomenon that extends across all continents (Shih, 2010).

Meanwhile, improved distribution on the Internet has led to information overload and made it more difficult for companies to accurately target their marketing campaigns. Hypertargeting - a very precisely targeted filtering - solves this problem. These aspects of online social networks enable manufacturers to reach the right people using right conversation at the right time. They give people more control over their work with the Web and allow them to have their friends help them find content that is interesting and important (Gladwell, 2008).

Social network comes as powerful and a new kind of marketing channel. Marketing is becoming a precise, personal, and social; social networks provide marketers with new skills to hypertarget campaigns by using profile information, involve community members by drawing from the social capital within groups of friends and systematically cultivate marketing by personal recommendations across the existing customer base (Shih, 2010).

2. Objectives and Methods

Objective of the paper

The objective of the paper is to analyze and then interpret basic prerequisites for efficient use of selected e-marketing communication tools on the social networking site Facebook by small and

medium enterprises predominantly operating in the Central European market. Related issues such as the impact of the absolute number of fans of the model fan page on the average number of likes, shares or comments are analyzed as a part of partial objectives.

The subject of the analysis

Small and medium enterprises predominantly operating in the Central European market, which actively use social networking site Facebook for their e-marketing communications are subjects of this analysis.

Data sources and methods used within conducted analyses

In order to achieve the objective, as well as partial targets, this contribution can be seen as a summary of two autonomous analyses. In the first analysis, context necessary for the fulfilment of the main objective was analyzed base on secondary data on hundreds of company profiles (of local small and medium-sized enterprises) managed by a specific marketing agency¹. Within the second analysis data on activities of 15 randomly selected profiles/fan pages of local small and medium-sized enterprises were selected. The collected data were subsequently subjected to a thorough statistical testing based on monitored parameters. For the purposes of this paper, these profiles formed a model subject where the influence of an absolute number of fans has on the activity of the user base is monitored (average number of likes, shares, or comments).

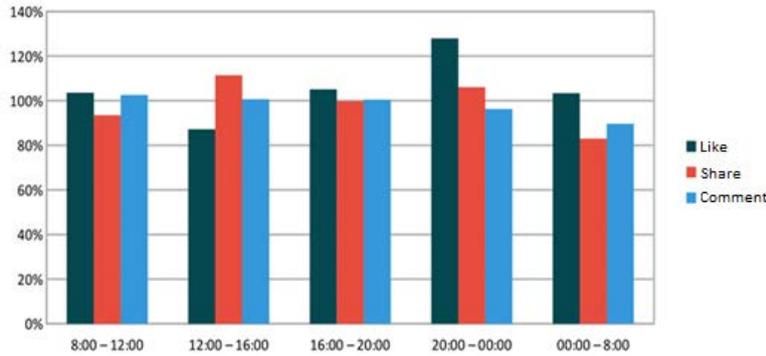
3. Results and Discussion

3.1. Analysis of interactions on the basis of timing

Within the first analysis specific context connected to the issue of the effective use of e-marketing communication tools on Facebook were monitored based on secondary data on hundreds of company profiles (of local small and medium-sized enterprises) managed by a specific marketing agency. We specifically focused on the issue of effective timing as a precondition for inducing a maximum possible interaction between an organization and its target user base (in this case, it is possible to interpret this base as a target customer market as well). In identifying effective timing we not only describe a specific period of time during a model day, but we also mapped facts that helped to develop an outline of an expected user interaction also during a common model/week. As a part of the analysis we normalized the number of likes, shares and comments of selected posts by the number of selected fan pages. On a page with a larger fan base it is logically assumed that a post gets more responses than on a page with the smaller fan base. Posts monitored for day and hour of posting were compared with an average post following standardization per number of fans. We now can see the percentage value of how much is a particular model post added at a specific date/hour during a model day more or less successful comparing to the average of all posts and all days. Findings are interpreted in the following charts.

¹ Data required for the analysis were collected from one of the leading Slovak marketing agencies, hereinafter referred to as the "marketing agency" based on its request.

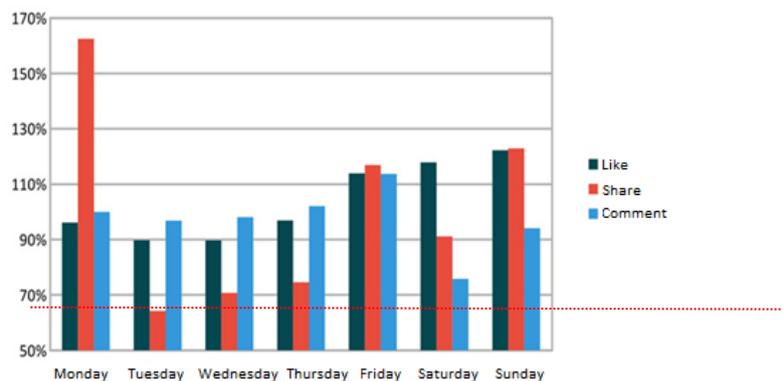
Chart 1: User interaction during a normal day



Source: our own processing based on the data from the marketing agency

The analyses show that fans gave the highest number of likes to posts submitted between 8:00 pm and 12:00 pm. Posts submitted between 12:00 am and 4:00 pm were given the lowest number of likes, which means a 12.7% drop below the normalized average. In terms of sharing, expectations were confirmed when posts submitted in the afternoon received the highest number of shares, whereas posts submitted between 12:00 pm and 8:00 am received the lowest number of shares.

Chart 2: User interaction during a normal week



Source: our own processing based on the data from the marketing agency

In terms of the model week we found that posts submitted over the weekend received approximately 20% more likes than posts submitted during the working week. On Saturday we saw an increase by 18% compared to the average, on Sunday the increase reached 22%. Posts submitted on Monday and Thursday received the lowest number of likes. Posts submitted on Monday, Friday and Sunday received the highest number of shares. On the other hand, posts submitted on Tuesday, Wednesday and Thursday received the lowest number of shares. An interesting finding is the enormous increase in Monday's shares compared to the rest of the week. We did not have enough empirical data available for a more thorough analysis of this phenomenon, but the increase in shares of over 60% compared to averages is not negligible in terms of planning future marketing efforts on Facebook.

3.2. Analysis of interactions based on the size of the user base

Within the second analysis data on activities of 15 randomly selected profiles/fan pages of local small and medium-sized enterprises were selected. The collected data were subsequently subjected to a thorough statistical testing based on monitored parameters. For the purposes of this paper, these

profiles formed a model subject where the influence of an absolute number of fans has on the activity of the user base is monitored (average number of likes, shares, or comments).

Table 1: Basic parameters

Variable	Arithmetic mean	Median	Minimum	Maximum
Number of posts	224.933	234	113	542
Number of fans	2,906.467	862	115	8,926
Number of likes	295.267	73	28	987
Average number of shares	80.2	39	10	459
Average number of comments	3,351.2	625	283	9,807
N applicable	15			

Source: our own processing based on the data from the marketing agency

The collected were statistically tested and analyzed context provided interesting findings.

In the first step, we tried to find out if there is a statistically significant relationship between the number of fans and the average number of likes. Correlation analysis on the significance level of $\alpha = 0.05$ showed R^2 on the level of 0.596 which means a moderately close correlation. This fact can be interpreted as follows: Organizations actively submitting their posts on Facebook should constantly strive to make their user base bigger, since this is a vital prerequisite for effective e-marketing communication on Facebook.

In the next step, tried to find out if there is a statistically significant relationship between the number of fans and the average number of shares. Correlation analysis on the significance level of $\alpha = 0.05$ showed R^2 on the level of 0.094. Based on the findings it can be concluded that there is virtually no connection between variables within research set. This fact can be interpreted as follows: The size of the user base does not automatically mean that fans will be participating in marketing activities of an organization. Entities need to actively encourage their customer bases to the desired activity, and in this case, tools such as competitions or providing additional benefits to the user seem to be appropriate here. Last but not least, the actual content of a particular message can be considered a significant factor.

We tried to find out if there is a statistically significant relationship between the number of fans and the average number of comments. Correlation analysis on the significance level of $\alpha = 0.05$ showed R^2 on the level of 0.845 which means a moderately close correlation. We found that the number of fans has a significant impact on the number of comments submitted for selected posts. This fact can be interpreted as follows: Activities of fans on fan pages is of considerable importance for the selected companies from the point of view of securing feedback. Commenting on posts brings a whole new kind of feedback - it is a direct view of the end user. Tracking and analyzing comments represents a significant competitive advantage over entities that do not have access to this source of feedback. In this case, customers do not consider commenting to be a marketing activity and because of this messages from the original base are spread towards the next potential customers (friends, friends of friends, etc.).

Last but not least, we considered important to find out if there is a statistically significant relationship between the number of posts and the average number of likes. Correlation analysis on the significance level of $\alpha = 0.05$ showed R^2 on the level of 0.069. Based on the findings it can be concluded that there is virtually no connection between variables within our research set. Following our previous findings we conclude that it is quality, not quantity that is important. If a post is not appealing, entertaining, or otherwise motivating to fans, we cannot expect no additional efforts that would help increase e-marketing activities of an entity on the given social network.

4. Conclusion

A number of factors that can affect behavior of target groups on the Internet are known from theories and practice. In general it can be stated that as long as an entity does not have sufficient human and creative capital, it is better to seek services of an expert. The paper describes basic recommendations for efficient use of selected e-marketing communication tools on the social networking site Facebook in terms of improving the expected user interactions. The findings and information presented in this paper can help improve understanding of related issues affecting effective implementation of resources (time and finances) by entities using e-marketing tools, particularly e-marketing in the context of the social networking site Facebook for the purpose of self-promotion and branding.

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Managing the Retailer SME Supplier Relationship Post Financial Crisis

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Abstract

One of the many dimensions of the power imbalance between large food retailers and SME suppliers is knowledge derived from Customer Relationship Management (CRM) programs, specifically loyalty card data collected by food retailers on end consumer shopping habits. The overall aim of this paper is to understand the interface of knowledge and power between retailers and SME suppliers within the supply chain in relation to CRM and supply relationship management (SRM) after the financial crisis, which came to a head September 2008. The methodological approach taken was a single case study of a large multinational retailer and 12 of their SME suppliers. Key findings were that SME suppliers are powerless to engage in knowledge held downstream, distorted roles and responsibilities of knowledge management and finally fragmented knowledge transfer upstream.

Keywords

Retailing, customer relationship management, supplier relationship management, knowledge management

1. Introduction

The increased availability of information and changes in technology in the food retail sector over the last decade has significantly altered the relationship between Small to Medium-sized (SME) food suppliers and multi-national retailers (Blundel & Hingley, 2000; Fearne et al., 2005; Matopoulos et al., 2007). The entrance of global retailers, online food shopping and changing consumer preference for locally produced food (Matopoulos et al., 2007) has increased pressure on multi-national retailers to sell food products from a traceable and transparent supply chain (Fearne et al., 2005; Fearne et al., 2004). After the financial crisis, which came to a head in September 2008, large multi-national retailers are increasingly sourcing from smaller local suppliers to manage the demand for local food (Keynote, 2010). In an attempt to build partnership, retailers have allowed for some symmetry in their relationship with SME suppliers by sharing operational data (Hingley, 2005a). However, the size of SME food suppliers and the level of access to ICT systems limit their ability to use this operational data effectively and, hence creates a power imbalance in the supply chain (Duffy et al., 2013).

One of the many dimensions of the power imbalance between large food retailers and SME suppliers is knowledge derived from Customer Relationship Management (CRM) programs, specifically loyalty card data collected by food retailers on end consumer shopping habits. Loyalty card data permits multi-national retailers to base decisions on timely, detailed information captured from the end consumer, providing the retail buyer with relationship dominance over smaller food suppliers (Hingley, 2005b). The multi-national retailers' access and control of information on the end consumer and the level of knowledge that the multi-national retailers allows to freely pass upstream in the supply chain limits SME suppliers from making strategic decisions on their operations. Organizations are seeking to develop CRM strategies that have an integral Knowledge Management (KM) component. While technological infrastructure underpins CRM, KM allows information captured to be processed into 'knowledge nuggets' for enhanced decision making which in turn impact on the bottom line (Garrido-Moreno and Padilla-Melendez, 2011). The relationship between CRM and KM is an important issue in management research (Garrido-Moreno & Padilla-Melendez, 2011; Shi & Yip, 2007), however there is a lack of empirical research relating to how KM impacts upon retailer and SME suppliers relationships in the supply chain (Duffy et al., 2013).

The literature has focused on the importance of customer relationships in supply chains from a broader marketing perspective (e.g. Chung & Wee, 2011; Heikkila, 2002; Selen & Soliman, 2002). However, no empirical study has specifically focused upon the linkages between upstream Supplier Relationship Management (SRM) and downstream CRM data. The overall aim of this paper is to understand the interface of knowledge and power between retailers and SME suppliers within the supply chain in relation to CRM and SRM post the financial crisis. The objectives are to firstly, understand how KM is currently adopted within SME food suppliers and multi-national retailers to support upstream supply chain efficiency and secondly, to explore the KM practices of multi-national food retailers as a dimension of power in the supply chain.

Initially a review of existing work in the areas of CRM, KM and SRM is presented. Following this, the methodological approach of the study is explained, the findings from the study and the discussion and conclusions of the paper are presented.

2. Literature Review

This research investigates the power relationships within the entire supply chain and the Knowledge Management (KM) interface between CRM and SRM, as prior research indicated that this is the point where difficulties can arise in the management and transfer of customer knowledge.

The use of CRM is a key decision making tool for multi-national retailers to allow the development of a knowledge base and make modified responses to customers on a continual basis (Campbell, 2003; Garrido-Moreno & Padilla-Melendez, 2011). CRM technology permits firms to manage interactions across different customer contact points and disseminate this knowledge across the organization (Crosby and Johnson, 2001). CRM is not a strategy confined to marketing, but it is based upon the integration of all resources and capabilities of an enterprise (Wahlberg et al., 2009). From this perspective, CRM cannot be isolated to marketing managers, but rather knowledge and orientation must be embedded deeper into the functional areas within the organization (Reinartz et al. 2004) including relationships externally such as the supply chain (Duffy et al., 2013). However, one of the key criticisms of CRM centres upon the failure of organizations to exploit the full potential of the data they hold, more often used as a sophisticated mass marketing tool (Kelly, 2000). Integration between customer facing and supply side functions is therefore vital in the supermarket sector, where the customer ultimately dictates what they want, where and when (Christopher & Juttner, 2000).

Specifically, large multi-national food retailers have adopted loyalty card programs to manage relationships with customer and grow market share (Mauri, 2003). The objective of a customer loyalty program is to increase repeat purchases and build rich customer intelligence for an organization (Liu, 2007). According to Leenheer and Bijmolt (2008) there are essentially two types of benefits that a retailer may accrue from its loyalty program; the stimulation of customer loyalty and the attainment of customer-specific data. Such data can enhance customer knowledge in terms of customer-specific insight into product preferences and marketing mix responses. In view of the focus of this paper on the retail industry, it is important to note that loyalty card research in the wider marketing discourse has focused on the service industry (Rowley, 2005; Sivadas & Baker Prewitt, 2000), where customer data is used to tailor the service encounter and does not involve more complex relationships upstream in the supply chain (Fearnie et al., 2010).

Increased competition on a global scale, has forced business organizations to look at new and different methods of adding value in the supply chain (Cousins, 2002; Hingley & Sodano, 2010), beyond the traditional commercial relationship (Leat & Revolredo-Giha, 2008; Matopoulos et al., 2007) to identify opportunities for value creation (Bonney et al., 2007). One such opportunity for competitive advantage can be found in SRM, defined as "*the mirror image of customer relationship management*" (Croxtton et al., 2001: 24) and involves the management of upstream and downstream relationships to create enhanced value in the marketplace (Christopher, 1998; Lambert & Rodgers, 2001). Whilst CRM involves the structure for how the relationship with the customer is developed and maintained, SRM defines how a company interacts with its suppliers.

Knowledge Management (KM) has been defined by Uit Beijerse (2000: 165) as "*the management of information within an organization by steering the strategy, structure, culture and systems*". In the case of large multi-national food retailers, knowledge collection on the end consumer is completed daily. However knowledge sharing upstream is conducted less often (Duffy et al., 2013). Research conducted into KM within SMEs found that SMEs understand KM as a concept of importance and the processes associated with it but this happens in an informal way (Hinds et al., 2010; Hutchinson & Quintas, 2008). SMEs, in theory, should be more adaptable and responsive to changing conditions than larger organizations and benefit from the speed and flexibility of customer data collection (Simmons et al., 2007; Stockdale & Standing, 2004). The SME literature has recognized that small firms cannot compete using economies of scale (Moffett, 2013). Therefore, their competitive advantage lies in the development of innovative products or processes, which is reliant on accurate market and customer information (Forrest, 1990; Low & Macmillan, 1988; O'Dwyer et al., 2009). A shift in knowledge sharing in upstream SRM to support decision making with other stakeholders in the supply chain (Smith, 2008) including smaller food suppliers will support upstream supply chain efficiency (Duffy et al., 2013). It has been found that organizations that are able to share knowledge from one unit to another are more productive (Argote & Ingram, 2000).

Literature to date has focused on the importance of customer relationships in supply chains from a broader marketing perspective (e.g. Chung & Wee, 2011; Heikkila, 2002; Selen & Soliman, 2002). However, no empirical study has specifically focused on the linkages between upstream SRM and downstream CRM data which can be used to manage the power imbalance between multi-national food retailers and SME suppliers. Many large retailers have very successful CRM and SRM programmes that operate in isolation but there is little known within the academic literature on the 'Power Imbalance' that is created by a lack of KM within SME suppliers.

3. Methodology

A single case study with a multi-national retailer based in the United Kingdom was used to form the basis of this research. The retailer was chosen as they have a working research relationship with the local university. This retailer uses a loyalty card programme to manage relationships with their customers and to inform their promotional strategy. A case study approach was deemed most appropriate in light of the aims of the study and as a tool to generate and test theory (Gibbert et al., 2008; Saunders et al., 2012). As part of the case study research design, semi-structured interviews were used to undertake a holistic and in-depth understanding of customer knowledge transfer upstream in the supply chain.

The data collection stage of the study involved semi-structured interviews with three buyers from a multi-national retailer based in the UK. This retailer directly interacts with SME suppliers and has access to CRM data. The interviews took place over a three month period. A number of research issues were identified in light of the literature, which provided a focus to the qualitative interviews, including present SRM strategies, customer relationship tools, and knowledge transfer upstream in the supply chain to support supply chain efficiency for the retailer and SME supplier. Interviews were approximately one and a half hours in duration, recorded to increase the accuracy of data presentation (Patton, 2002), and then transcribed to enable content analysis of the data (Easterby-Smith et al., 2002).

In the second stage of the study, twelve local SME suppliers across the UK were interviewed to fully understand the retailer supplier dyad (Blundel & Hingley, 2000). These suppliers were selected as they took part in a University training course relating to understanding CRM outputs. The themes identified from the literature review and interviews included lack of knowledge transfer upstream, inability of SME suppliers to translate knowledge and finally issues with communication between buyers and SME food suppliers. These issues were followed up in the interviews with suppliers. This approach allowed the researchers to find out salient issues regarding each of the supplier's viewpoints on knowledge transfer upstream in the supply chain from an SME perspective. Each of the twelve interviews lasted over one hour, and participants were asked a list of questions relating to their relationship with the retailer and the transfer of knowledge upstream. Each session was recorded and then transcribed. The data from the transcripts was analysed and structured deductively using theory and a predetermined framework analysis to assist with pattern matching and explanation building (Saunders et al., 2012). To reduce bias, all interviews were conducted by the same 'primary' investigator, but investigators from the research team were also used throughout the study to support data triangulation, increase data accuracy, and limit bias.

4. Findings

The findings of the study illustrate the opinions of retail buyers from a large multinational food retailer and SME food suppliers. The study highlighted key issues of knowledge management the findings are structured around three key themes: SME suppliers powerless to engage in knowledge held downstream, distorted roles and responsibilities of knowledge management and finally

fragmented knowledge transfer upstream. Table 2 outlines key themes highlighted from the empirical research with exemplar quotations taken from interview transcriptions to illustrate both supplier and buyer perspectives.

Table 2: Exemplar Quotes

Theme	SME Supplier perspective	Retail buyer perspective
1. SME suppliers powerless to engage in knowledge held downstream	<ul style="list-style-type: none"> • “They have a system where you can get pushed way down the line” (Supplier A). • “Getting loads and loads of reports emailed through it is a lot more time consuming to go through” (Supplier J). • “They have paralysis by analysis. They have so much information” (Supplier F). 	<ul style="list-style-type: none"> • “We will try use as much information as we can get to inform us and our decisions” • “When we do product reviews we look at it to pull out products that are underperforming” • “They all ask about it but I think if they saw it they would not understand it”
2. Distorted roles and responsibilities of knowledge management	<ul style="list-style-type: none"> • “If you asked the buyer about the MIS system they have not got a clue. In their own words they rely on the suppliers to do all that work” (Supplier G). • “She relies on local suppliers to come in and be that sounding board for what is happening in the market and telling her which way she should go” (Supplier I). • “If you can talk to the end consumer you are not just pushing your product to the retailer but you are helping them pull it out the other side” (Supplier F). 	<ul style="list-style-type: none"> • “So there is part of this that is the supplier trying to understand our customers and doing a job with us to understand the shopping behavior the thinking behind how a customer will shop” • “Digging deep and understanding why and what exactly is happening needs to be the suppliers responsibility” • “A lot of small suppliers perhaps don’t invest the time and effort to understand exactly how their products are working”
3. Fragmented knowledge transfer upstream	<ul style="list-style-type: none"> • “Unless you are chasing them for information it does not come out very quickly or easily from them” (Supplier A). • “The truth of the matter is none of us are trained or knowledgeable enough to get the best of that system I suppose” (Supplier E). • “Sometimes I think (the retailer) could do more to fully understand it themselves to use the information themselves” (Supplier C). 	<ul style="list-style-type: none"> • “There is an issue with smaller suppliers trying to understand markets and trying to understand customers” • “I would love local suppliers to come to me with facts and figures...and actually tell me what I should be doing”

4.1. Theme 1: SME suppliers powerless to engage in knowledge held downstream

The findings of the study illustrated from both the supplier and retailer perspective that SME suppliers were powerless to engage in knowledge held downstream. Each of the buyers interviewed discussed the development of a trade plan with local SME suppliers. The trade plan essentially acts as a business plan for the retailer and SME supplier partnership. However, a buyer for the multi-national retailer can manage up to two hundred local suppliers and often does not have time to focus on each individual trade plan. One buyer commented *“It is hard to be strict with the trade plans as things change.”* For the SME suppliers, they felt powerless in terms of new product development within their business, as they did not know what the multi-national retailer expected from them. Supplier G commented *“Somebody internally might say to you I think we will do this and we do all the work... and then later the buyer may say to you I don’t like that and all the work counts for nothing. It is getting the right systems in place within the business that’s important.”* The SME suppliers also

believed they could grow their business and adapt their strategy if the multi-national retailers shared their consumer data.

The findings also identified that the local buying team use end consumer data to determine the local lines to which customers are most loyal. One buyer remarked *"It just gives you an impartial view as to what is selling and what is not. It is an impartial view absolutely on what customers are doing, what their behaviors are...which products are under performing to give other products a chance"*. When discussing the SME-food suppliers relationship with the multi-national food retailer the imbalance of power regarding knowledge of the end consumer was evident and caused relationship obstacles upstream. Supplier A commented *"unless you are chasing them for information it does not come out very quickly or easily from them"*.

4.2. Theme 2: Distorted roles and responsibilities of knowledge management

During the data collection stage of the study, it was evident that the responsibility and roles of KM in the supply chain by the SME supplier and local buyer were distorted. One of the buyers interviewed stated that the Management Information System (MIS) provided to SME suppliers provides *"complete visibility and actually the supplier is just as informed about the sales of their product in our business as we are...suppliers should be on the MIS system every day in an ideal world"*. However, the local SME suppliers identified that *"none of us are trained or knowledgeable enough to get the best of that system"* (Supplier E). It was also found that the multi-national retailer requested local suppliers to be pro-active and talk directly with the end consumer. The local SME suppliers did recognize that they do have responsibilities beyond the factory gate, however they felt they did not always have the knowledge required to act on it. Supplier L commented: *"you find yourself in a bit of a catch twenty-two situation because you are not doing enough, you can't afford and invest in data to do enough and because you are not doing enough you are probably not selling enough to break out of that vicious cycle."*

The volume and economies of scale that the retailers offer the local suppliers means the local suppliers are willing to meet their requirements and requests. One supplier (Supplier A) commented *"It's the power that they have in our region...it is very hard for a small food manufacturer to say no to that."* Due to the informal and resource constraints suffered by SMEs their goals were often on short term cash flow and were not familiar to working in an environment driven by margins.

4.3. Theme 3: Fragmented knowledge transfer upstream

It was evident that the retail buyers and SME suppliers both collected data regarding the end consumer; however they only shared partial amounts of the data with each other. As a result, both entities within the supply chain retain information on the end consumer, but did not work together to transfer knowledge. This resulted in fragmented knowledge transfer across the chain and information asymmetry upstream. Supplier F commented, *"the changing dynamics of the marketplace are changing our relationships"*. The SME suppliers had limited access to end consumer data from multi-national retailers upstream in the supply chain. The suppliers identified this type of information as being important to their business and emphasized that it would be useful to them.

The findings also underlined that SME food suppliers lack skills and ICT capabilities, which limit their capacity to fully understand the end consumer. Supplier A explained *"To be perfectly honest because it's just me and everything is in my head and I just do things as I decide...our focus can only be understanding what they (multi-national retailer) want"*. The multi-national retailers expect smaller food suppliers to understand the end consumer better but because the SME food suppliers only have access to operational information, it limits their capabilities to achieve supply chain efficiency.

5. Discussion: Moving Forward CRM Downstream to KM Integration Upstream

Multi-national retailers are putting greater pressure on SME food suppliers to understand the end-consumer better to provide a product that is suited to consumer's specific needs. To do this, smaller companies need to make better informed decisions based on meaningful information (Canes, 2009) that they can apply to strategic business decisions. The SME food suppliers believed they had been coerced to understand the end consumer but were powerless due to the gap in knowledge and capacity to understand the outputs from the retailers CRM system and loyalty card data. This powerlessness could be alleviated if the retailer shared the knowledge freely upstream in the supply chain. But, in order to do this, customer intelligence must be provided to the SME suppliers in a format that the managers of SME food retailers can understand.

While SME suppliers understood that the potential knowledge to be obtained from the CRM data could aid their own strategic decisions, they argued their gap in ICT skills and capability did not allow them to become "*technologized*" (Rose, 1999) as the retailers assumed they would be. The retailers had focused on implementing the technology downstream to collect customer data, but had not focused upstream on the SME food suppliers to fill the gap in their knowledge and capacity, as they see this as the SME food supplier's responsibility. However, these SME suppliers are local food producers who suffer from the resource constraints related to SME's (O'Dwyer et al., 2009; Gilmore et al., 2001) and lacked explicit knowledge of the end consumer. This led to a strong fear of being delisted.

If the SME food suppliers engaged with customer data held downstream in the supply chain then this knowledge regarding end consumers would increase upstream supply chain efficiency for both SME suppliers and multi-national retailers. The multi-national retailers base their decisions on loyalty card data; therefore, for the SME suppliers to be innovative and think about their future growth strategy there needs to be a more integrated approach to doing business. This paper argues that the access to end consumer data would lead to greater supply chain efficiency and address issues of power imbalance. The retailer is often viewed as the "*gateway*" to the end consumer between producer and consumer (Hingley, 2005a; Lang, 2003). To address the balance of power and issues of information asymmetry, the larger multinational retailers need to accommodate SME needs and address the barriers to upstream knowledge transfer (Arend & Wisner, 2005). This will involve the creation of knowledge loops in the supply chain upstream.

6. Conclusion

There is a strategic imbalance between the powerlessness SME food suppliers feel they have, and their willingness to engage with the complicated retailers CRM and loyalty card systems. While SME food suppliers are recognized as an important source of innovation, they need to be empowered in order to invest in new product development and be equipped with the knowledge that their innovations are what customers actually want. Retailers also need to understand that these sources of knowledge provide value for all concerned in the supply chain right down to the end customer. This study confirms that one such source of power through knowledge relates to greater efficiency in the supply chain especially post financial crisis. Although the study identifies the role of knowledge as a dimension of power in supply chain relationships, there are a number of limitations to the research. The research is restricted to one particular multi-national retailer based in the UK and their relationship with a number of regional suppliers; therefore generalizability to other contexts is limited. Further research could consider the relationships between other types of food retailers and their suppliers. Notwithstanding this, the key contribution of this paper is that the findings can

contribute to leading the B2B retail marketing literature into new directions on the analysis of 'power' in these type of supply chain relationships.

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Learning from Our Mistakes: Some Implications of the 2008 Financial Crisis for the Healthy Relationship between the Real and Financial Economies

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Abstract

The 2008 global financial crisis that initiated in the United States and quickly spread around the developed world was of historical proportions. The crisis has had long-lasting adverse impacts on many countries, and even pushed some countries to the brink of collapse. Yet, the crisis could have been far worse with unthinkable consequences for the global economy, had it not been for the timely and drastic measures by the governments and central banks of the United States and other major European countries. The massive bailout of the major banks and financial institutions along with other major corporations provided the liquidity to keep the latter solvent and restore some confidence in the financial and nonfinancial markets. Such extraordinary policy response has arguably benefited from the lessons learned during the Great Depression.

Notwithstanding the dramatic measures taken to contain this unprecedented crisis, the crisis laid bare, once again, a significant problem concerning the interplay of the financial and real economies: that maintaining a healthy complementary relationship between the real and financial sectors of the economy is needed to keep both sectors and the overall economy in good balance.

The current study presents a basic conventional conceptual model of how the real economy interacts with the financial economy, and emphasizes the key requirements for a healthy and balanced relationship between the two economies. In doing so, it also identifies a variety of activities and trends that undermine the health of the financial sector, and therefore, the real economy.

Moreover, the study examines some key developments in the financial markets as captured by financial indicators and relates them to the developments in the real economies of selected major OECD countries since 2000. This empirical examination reveals some worrisome trends in the financial markets that undermine the health of both the financial and real economies and increase the risks of potential future financial crises.

The study concludes that to maintain a viable relationship between the financial and real economies to serve the need for the overall macroeconomic stability and growth, the financial sector must serve the needs of the real sector, and not merely those of its own.

Keywords

Financial crisis, real economy, financial economy, financial trends, economic trends

Retention of Fresh Graduates: Identification of Determinant Factors through a Modified Job Characteristics Model

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Extended Abstract

Research done worldwide in the area of employment has discussed the effect of some personal and job characteristics on employees' satisfaction in general (McGuinness, 2006; Mehta et al., 2011). However, not much complete and well planned work has been done in the area of fresh graduates' employment retention. Shierholz et al. (2012) stress the need for up-to date and continuous studies on fresh graduates, supported by strong overall job growth policies to boost fresh graduates' employment satisfaction and retention.

This research aims to explore and discuss the factors affecting the retention of fresh graduates. Data will be collected from the Lebanese labor market. The motivation behind this specific market comes from many reasons: Lebanese fresh graduates, suffering from a complexity of work integration and a lack of motivation and satisfaction, are being obliged to accept available opportunities though they might not be matching their qualifications. The Lebanese labor policies date back to 1943 and despite the many amendments achieved since then, they still don't match with the minimum requirements of a decent life (The World Bank, 2013). Finally, in Lebanon, there do not exist many research studies in the field of employment satisfaction and retention because there are limited funds for such research.

The most used and applied models concerning job satisfaction and retention are of a big importance either to study internal organizational issues or to analyze national issues. These models are mainly classified into Need Based Theories (e.g., ERG Theory or McClelland's Theory of Needs); Cognitive Process Based Theories (e.g., Goal Setting Theory); Behavioral Theories; Job Matching Theories and Labor Market Theories (e.g., the Theory of Labor Market Segmentation). However, all the aforementioned theories do not incorporate simultaneously internal organizational and national issues in the same framework. Therefore, they could not be used to study the effects of the Lebanese core job dimensions and the Lebanese labor market conditions on the fresh graduates' employment satisfaction and retention.

For the purpose of the present study, a more suitable model that can be used as a basis is Hackman and Oldham's Job Characteristics Model (JCM) (Hackman and Oldham, 1980). JCM focuses on the relationship among three main parts: the psychological states of employees (experienced meaningfulness, experienced responsibility and knowledge of results), the core job dimensions (skill variety, task significance, task identity, autonomy and feedback) that affect these psychological

states and the personal and work outcomes (high internal work motivation, high-quality work performance, high satisfaction with the work, and low absenteeism and turnover) that are the result of these psychological states. Moreover, this model notices that differences among people moderate how they react to their work and for this a moderating variable named "Growth Need Strength" has been created.

However, through examining the JCM Model of Hackman and Oldham, one can notice the following theoretical gaps: First, the three psychological states used in the JCM model can be purely considered as intrinsic or internal to the job itself. Thus, the model studies only intrinsic motivation and doesn't emphasize on the importance of extrinsic motivation which comes mainly as a result of extrinsic rewards, such as pay and other benefits, job security, hours of work and working conditions. Besides it doesn't take into consideration the effect of the labor market conditions (which were, for example, discussed in the Theory of Labor Market Segmentation) on the satisfaction and retention of fresh graduates. Second, the model doesn't take into consideration various job dimensions that have been found to have an effect on worker satisfaction and motivation, such as social relationships (e.g., ERG Theory or McClelland's Theory of Needs) and participation in the setting of goals and work load (e.g., Goal Setting Theory). Thus, including additional job dimensions is deemed necessary. Third, the model limits the work outcomes to high internal work motivation, high quality of work performances, high satisfaction with work, and low absenteeism and turnover. It is important to mention here that besides these personal outcomes, involvement with work may also come as a result of the critical psychological states and thus should be taken in consideration (Babin, 1996). If this be the case, it may result in labor market outcomes too. Labor market outcomes will be a chain of events where the labor market embraces satisfied employees who are motivated, who show high involvement and thus are retained.

Fourth, regarding personal characteristics, the JCM model doesn't take into consideration the cultural factor. It has been shown (e.g. Hofstede et al., 2010) that human behavior at work is affected by the differences of values across national cultures. Thus, culture needs to be added into personal characteristics. Fifth, Jackson and Chapman (2012) mentioned that there is a great difference between a fresh graduate attitude and an employee attitude and this should be taken into consideration since Hackman and Oldham theory focused on employees and neglected the fresh graduates which proved to be less loyal and have higher expectations than employees. Finally, it is important to mention that in some specific fields of study such as business studies and others, the Educational Lebanese curriculum of studies is not matching with the labor market requirements but instead is focusing much more on the Arab countries labor market requirements where most fresh graduates end up working. This might have an effect on the retention of the Lebanese fresh graduates and thus needs to be considered in the present study.

The basic hypothesis of this research is that fresh graduates' retention in the Lebanese labor market is affected by three groups of factors: personal characteristics, core job dimensions and labor market conditions. Therefore, the Job Characteristics Model (JCM) will be extended and modified in order to fill the theoretical gaps. It is proposed that JCM is customized 1) by redefining core job dimensions as skill variety, task significance, task identity, autonomy, feedback, participation, working conditions, job security, authority, financial rewards and promotion, 2) by redefining the critical psychological state as experienced meaningfulness, experienced responsibility, knowledge of results, self-esteem, feeling of accomplishment, prestige inside outside and interpersonal relationships, 3) by identifying personal work outcome as high internal work motivation, high quality of work performance, high satisfaction with the work, low absenteeism, high involvement and low turnover, 4) by inserting labor market conditions such as geographical location, unionization, labor status, comparison and job switching, job matching, policies and politics, private and public sector, foreign and national workers, formal and informal jobs and educational and labor market gap, and also by extending the outcomes related to retained fresh graduates.

All the above modifications will be incorporated in a newly developed comprehensive framework, hereby called “Modified Job Characteristics Model” (MJCM). MJCM will simultaneously take into consideration and test all the aforementioned factors hypothesized to be in relation with the retention of fresh graduates based on multiple job satisfaction and labor market theories. The main objective of this research is, therefore, to examine the effect of personal characteristics, core job dimensions and labor market conditions on the retention of fresh graduates in Lebanon. In addition, it will be examined if some or all of the personal characteristics and fresh graduates’ growth need strength are moderating variables that affect the relationship between core job dimensions and the retention of fresh graduates, as well as the role of culture and commitment as possible mediating variables, that influence the relationship between core job dimensions and fresh graduates’ retention.

In conclusion, by combining managerial (core job dimensions) with socio-economical issues (labor market conditions), this study might help solve a dilemma that fresh graduates are facing. The new model (MJCM) aims to fill the theoretical gap and is then expected to be used as a managerial socio-economical tool in general. And more specifically, the modified version of JCM aims to answer questions and provide recommendations about the retention of fresh graduates in the Lebanese labor market, with its special characteristics.

Keywords

Motivation, satisfaction, retention, employment, fresh graduates

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An Analysis of Pilot Testing in PhD Research: A Case of My Two Scholars in Small and Medium Enterprises (SMEs) in Malaysia

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Abstract

The aim of this paper is to present an analysis of the pilot tests conducted by two husband and wife PhD scholars (Mr Jaafar and Madam Baharom) from Universiti Utara Malaysia (UUM) and relate them to the importance of pilot testing in doctoral research. They were studying the performances of small and medium scale enterprises in Malaysia. Mr Jaafar had five variables and his Cronbach Alpha scores averaged 0.9. Madam Baharom also had five variables but her Cronbach Alpha scores averaged 0.8. Nevertheless, both scores can be considered as reasonably good. Based on Sekaran's contention, an acceptable score for questionnaires should be at least 0.7. In addition, the two scholars have found out that the term *pilot study* is used in two different ways in social science research (van Teilingen & Hundley, 2001). It can refer to so-called feasibility studies which are "small scale version[s], or trial run[s], done in preparation for the major study" (Polit et al., 2001, 467). However, they have found out too that a pilot study can also be the pre-testing or 'trying out' of a particular research instrument (Baker 1994, 182-183). One of the advantages of conducting a pilot study is that it might give advance warning about where the research project could fail or whether the proposed methods or instruments are inappropriate or too complicated. These are important reasons for undertaking a pilot study, but there are additional reasons, for example convincing funding bodies that one's research proposal for the main study is worth funding. Thus pilot studies are conducted for a range of different reasons. Pilot tests are "dress rehearsals" of full survey operations that are implemented to determine whether problems exist that need to be addressed prior to putting the survey in the field. Traditional pilot tests are common and have been a part of the survey process since the 1940s. In recent years since 2000, by the time a pilot test is conducted, the questionnaire has frequently already undergone review (and revision) through expert review, focus groups, and/or cognitive interviews. The terms pre-test and pilot test are sometimes used interchangeably; however, in recent years pre-test has taken on the meaning of testing within a survey laboratory, rather than in the field with the general population. Some organizations or survey researchers now refer to pilot tests as field pre-tests. Pilot testing is one of the most critical aspects of a successful survey operation resulting in good survey data.

Keywords

Cronbach alpha value, Malaysia, pilot test, small and medium scale enterprises

1. Introduction

Doctor of Philosophy, abbreviated as PhD, Ph.D., D.Phil., or DPhil in English-speaking countries and originally as Dr. Philos or Dr. Phil (for the Latin *philosophiae doctor* or *doctor philosophiae*), is in many countries a postgraduate academic degree awarded by universities (Petre, 2010; Phillips & Pugh, 2010; Phillips, 2015; Trafford & Leshem, 2008). The academic level known as a doctorate of philosophy varies considerably according to the country, institution, and time period, from entry-level research degrees to higher doctorates. A person who attains a doctorate of philosophy is automatically awarded the academic title of doctor. Before receiving its title, the student is called a doctoral student or a PhD student (Phillips, 2015).

One part of a doctoral research process which is frequently ignored or less emphasized on in today's world is pilot testing of research instruments (Bhattacharjee, 2012: 23). This paper is an analysis of the pilot test results of my two PhD scholars who are currently pursuing their doctoral studies in the field of small and medium scale enterprises (SMEs) in Malaysia.

2. Literature Review

2.1. The definition of pilot study

The term 'pilot study' is used in two different ways in social science research (Van Teijlingen & Hundley, 2001). It can refer to feasibility studies which are "small scale versions or trial runs, done in preparation for the major study (Polit, Beck & Hungler, 2001: 467). However, a pilot study can also be the pre-testing or 'trying out' of a particular research instrument (Baker, 1994). One of the advantages of conducting a pilot study is that it might give advance warning about where the main research project could fail, where research protocols may not be followed, or whether proposed methods or instruments are inappropriate or too complicated (Simon, 2011; Thabane et al., 2010).

2.2. The definition of pilot test

Sometimes pilot study and pilot test are treated the same or synonymous by scholars. However, pilot tests are more specific in nature and are mostly related to the survey questionnaire as an instrument of study. According to Awang (2012, 38), a pilot testing is the survey conducted prior to the actual study. Its purpose is to detect weaknesses in questionnaires and its instrumentation so that correction can be made. From the pilot testing work, the researcher (whether doctoral scholar or work researcher) would know the actual logistic requirement and budget for the actual study so that no more interruption occurs when the actual research is carried out. Pilot testing is very important since the researcher might have overlooked many aspects which would affect the outcome of the research (Chu, 2012). This is indeed critical for any research but especially so for doctoral research. After all, PhD research has been regarded by some as the most rigorous of all research (Phillips, 2015; Trafford & Leshem, 2008).

3. Methodology

3.1. Research method

A researcher has a choice of doing a quantitative study, a qualitative study or a mixed method study, combining both the quantitative and qualitative research approaches depending on the set research objectives (Ary, Jacobs & Sorensen, 2010; Awang, 2012; Bryman & Bell, 2007; Cavana, Delahaye & Sekaran, 2001; Chua, 2012; Creswell, 2009; Hair Jr., Samouel & Page, 2007; Sekaran & Bougie, 2013). For this paper, the researcher decided to conduct a quantitative analyses of two pilot tests implemented by his two PhD scholars which were done within the last six months of 2015. This focus could be considered a quantitative case study of the two PhD scholars (Creswell, 2009).

3.2. Targeted subjects of study

The targeted PhD scholars for this paper were Mr Abdul Rahman Jaaffar (thereafter called 'Rahman') and Madam Nurashaini Baharom (thereafter called 'Nora'). They are currently my PhD students under my supervision at the School of Business Management, Universiti Utara Malaysia (UUM). Rahman's PhD title is entitled "The Moderating Effect of Transformational Leadership Style on the Relationship between Innovation, Networking, Entrepreneurial Orientation and SME Firm Performance: A Study of SME Manufacturers in Malaysia" while Nora's research is entitled "The Moderating Effect of Management's Learning Orientation on the Relationship between Employee Recruitment, Employee Retention and Training Practices on SME Firms' Effectiveness".

3.3. The process of conducting the pilot tests by the two scholars

Both Rahman and Nora had selected 30 respondents each to test their respective survey instruments. Both of them were focusing on the small and medium enterprises (SME) in Malaysia but the content focus was different. Rahman intended to study the SME firm performance as the dependent variable while Nora wanted to study the SME firm effectiveness. Rahman intended to focus the SME manufacturers while Nora had planned to study the SME multi-businesses. Thus their samples for their pilot tests were slightly different.

3.4. Analysis method

The researcher of this paper had then requested from the two PhD scholars to furnish their results of their pilot tests. He then made a comparative analysis of the data given by the two scholars.

4. Results of the Analysis

4.1. Result 1

Table 1: Background Profile of the Scholars

No.	Items	Rahman	Nora
1	Age	46	46
2	Gender	Male	Female
3	Past Qualifications	Diploma in Accountancy (UiTM) (1991) Bachelors in Accountancy (UiTM)(1993) MBA (UUM)(2009)	Diploma in Accountancy (UiTM)(1991) Bachelors in Accountancy (UiTM)(1993) MBA (UUM)(2009)
4	Working Experiences	Businessman	Business woman

Rahman is the male scholar while Nora is the female scholar. Both of the scholars were in their mid - 40s and they had been entrepreneurs since they graduated with bachelor degrees in Accountancy in 1993. They followed this up by graduating with their MBA degrees in 2009. In the same year, they registered as part-time doctoral scholars with Universiti Utara Malaysia (UUM). As entrepreneurs, they planned to pursue their doctoral research in the field of small and medium scale enterprises (SMEs).

4.2. Result 2

Table 2: Pilot test by Mr Abdul Rahman Jaaffar

Survey Instruments	Latent Construct	Number of Items	Cronbach Alpha Coefficient
INNO	Innovation	23	0.934
NET	Network	36	0.949
EO	Entrepreneurial Orientation	16	0.962
TLS	Transformational Leadership Style	20	0.913
FP	Firm Performance	8	0.923

The survey questionnaire was based on the principle of adopt and adapt. The questions in the study's questionnaire were adopted from similar studies in the past. For Mr Rahman, the independent variables were innovation, network and entrepreneurial orientation while the dependent variable was SME firm performance. The independent variables and the dependent variable were hypothesized to be moderated by transformational leadership style (moderator). As can be seen from Table 2, the Cronbach Alpha scores in column 4 showed an average score of 0.9. This was better than the minimum score of 0.7 as suggested by Sekaran (2003).

4.3. Result 3

Table 3: Pilot test by Madam Nuraishani Baharom

Survey Instruments	Latent Construct	Number of Items	Cronbach Alpha Coefficient
REC	Recruitment	8	0.878
RET	Retention	12	0.903
TRA	Training	5	0.938
LO	Learning Orientation	15	0.913
FE	Firm Effectiveness	19	0.775

Similar to Rahman's instrument, the survey questionnaire for this study was also based on the principle of adopt and adapt. The questions in the study's questionnaire were adopted from similar studies in the past. For Madam Nora, the independent variables were employee recruitment, employee retention and employee training practices while the dependent variable was SME firm effectiveness. The independent variables and the dependent variable were hypothesized to be moderated by learning orientation (moderator). As can be seen from Table 3, the Cronbach Alpha scores in column 4 showed an average score of 0.8. This was also better than the minimum score of 0.7 as suggested by Sekaran (2003).

5. Conclusions

My two scholars in preparing for their data collection process had conducted their pilot studies or pilot tests reasonably well so as to ensure that their survey questions were reliable and valid. Their respective Cronbach alpha values exceeded the minimum score of 0.7 as suggested by Sekaran (2003). In addition, the two scholars have found out that the term *pilot study* is used in two different ways in social science research (van Teilingen & Hundley, 2001). It can refer to so-called feasibility studies which are "small scale version[s], or trial run[s], done in preparation for the major study" (Polit et al., 2001, 467). However, they have found out too that a pilot study can also be the pre-testing or 'trying out' of a particular research instrument (Baker 1994: 182-183). One of the advantages of conducting a pilot study is that it might give advance warning about where the research project could fail or whether the proposed methods or instruments are inappropriate or too complicated. These are important reasons for undertaking a pilot study, but there are additional

reasons, for example convincing funding bodies that one's research proposal for the main study is worth funding. Each of my two scholars had received separate research grants to fund their individual PhD projects from my university. One of the main reasons for this was that each of them had shown good pilot test results.

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Crisis Preparedness: The Role of Leaders' Locus-of-Control, Gender, Impulsive Sensation-Seeking and Transformational Leadership

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Extended Abstract

Study Synopsis. As a key phase in crisis management (CM), crisis preparedness (CP) signifies a vital process without which firms become severely prone to adverse eventualities. Recent upsurge in business failures and corporate crises thereof herald no letup in the acute need for effective CM. Hence, turbulent task environments increase crises' prevalence and severity (cf. Ringland, Sparrow & Lustig, 2010). Some 90,000 news accounts of business crises in the US were reported between 2000 and 2009 (Institute for Crisis Management, 2010). The 2000s began with the financial imbroglios of Tyco, Enron and WorldCom. These were followed by the collapse of Merrill Lynch and Lehman Brothers, Fannie Mae and Freddie Mac. FDIC reports (2015) a total of 553 failed US banks (Oct. 2000 – May 2015), 70% of which collapsed between 2009-2011, a repercussion of the 2008 global financial crisis. A flow of corporate failures, natural disasters and viral pandemics highlight how ineffectively prepared organizations are in the wake of crises. Notwithstanding, less than 70% of U.S. corporations reported having crisis strategies (Lee, Woeste & Heath, 2007, 334). An organizational crisis is a low-probability, high-impact occurrence that jeopardizes organizational survival and is characterized by vagueness of cause, effect and means of resolution and by a requisite that decisions must be made promptly (Pearson & Clair, 1998). Events that trigger crises are unforeseen and their implications are abstruse. Hence, executives are supposed to promote and design early warning signals mechanisms (Sheaffer, Richardson & Rosenblatt, 1998), examine evolving problems, contain them if their progress cannot be discontinued, then converge on bouncing back from resultant performance difficulties (Grant & Mack, 2004). In a quest for sustaining competitive advantage, firms must possess a range of responses and preparatory mechanisms to warrant corporate viability under all probable circumstances (Sheaffer & Mano-Negrin, 2003). Hence, managers should be aware of, and prepared for, potentially disrupting occurrences liable to destabilize vital organizational processes (Hough & Spillan, 2005). Commensurate with both scholarly interest and greater proportion of women executives in higher managerial positions, we are specifically interested in women CP as opposed to their male counterparts. Though CM research in particular and to a lesser extent on CP abounds over the past decade, fewer studies focus on managers' perceptions of CP (cf. Sheaffer & Brender-Ilan, 2014), and even fewer on the effects of psychological syndromes, leadership style, gender and locus of control as predictors of perceived CP.

Predicated on a sample of 264 Israeli managers we explore using SEM, how locus of control (LoC), impulsive sensation seeking (ImpSS), feminine and transformational leadership (TL), and internal locus of control affect perceived CP. Specifically we ask how ImpSS and mediates the effect of feminine traits on CP, and the concurrent mediation of TL on CP. Concomitantly we explore the how feminine traits mediate the association between locus of control CP.

Method. Research instrument includes validated scales. We employed remedies to decrease social desirability bias in the self-reported questionnaire including scale reordering (Sprangers & Schwartz, 1999) to reduce effects of consistency artifacts, and administration of questionnaires at a two-week time lag (Podsakoff et al. 2003). Harman's one-factor test (Richard et al., 2009) was used to prevent common method variance. All research items were factor analyzed to guarantee no emergence of a single factor (Podsakoff & Organ, 1986).

Findings. SEM results indicate that feminine leadership style is positively associated with TL. Feminine leadership is negatively related to CP though this negative relationship is attenuated by the mediation of TL. Meaning, the negative effect of leaders demonstrating feminine traits, on CP is reduced significantly if they endorse TL style. TL's direct effect on CP is positive, meaning, transformational leaders are more crisis prepared. When tested directly, Imp_SS decreases CP, meaning, impulsive sensation seekers would be less crisis prepared. As a mediator between feminine leadership and CP, Imp_SS decreases women executives' CP (Fig. 1. Research Model). The model's overall fit statistics (goodness of fit) show an acceptable level of fit (χ^2 value = 7.54, $p > .05$ ($\chi^2/df < 2$); CFI = .958; NFI = .924; RMSEA = .058), all attest to the validity of the path model.

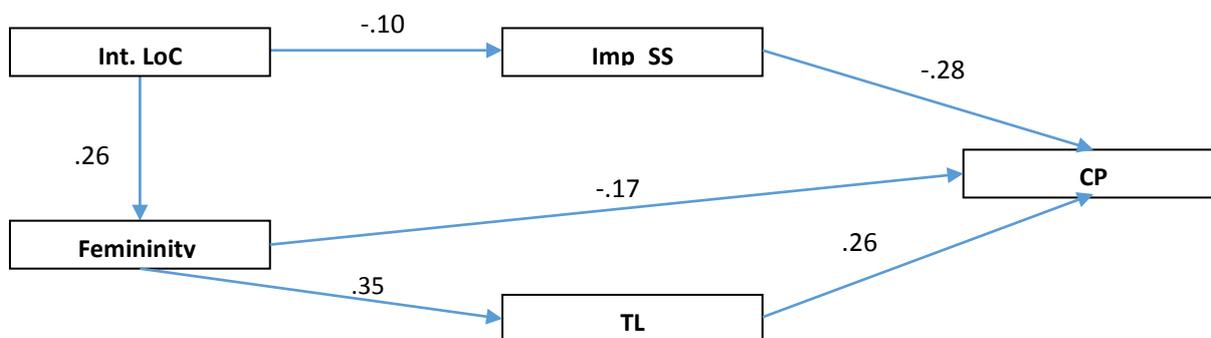
Discussion. Volatility and uncertainty in contemporary organizational task environments pose firms and noticeably TMT's with recurring challenges emanating from the need to be aware of growing threats to firms' survival. Incorporating effective CM stratagems are key to the ability to withstand and be prepared for crises, inherent in ever changing turbulent business loci. This requires, first and foremost alteration of corporate TMT's mind-sets affected as they are by leaders' innate and avowedly human predilection to unconsciously aspire for calm and stability. In this study we provide insights regarding several key inherent facets that affect the extent of which leaders and specifically those endorsing or typified by feminine traits, affect their perceived CP. A key finding that lends support to the merits of TL is the fact that this leadership style practically transmutes the negative association between femininity and CP into a positive one. Previous studies (*cf.* Sheaffer & Brender-Ilan, 2014), found that women executives or characterized by or adopting feminine traits are less crisis-prepared, a finding corroborated by the present study. This is attributed to women's innate proclivity to be endowed with qualities deemed ineffectual in crisis circumstances. We show that whenever 'feminine' leaders subscribe to TL, they in-fact become more crisis-prepared. Theoretical treatises abound as to the usefulness of TL during crises including broad frameworks of CM emphasizing the role of TL and charisma approaches (Hadley et al. 2011; Halverson, Murphy & Riggio, 2004), though far fewer study how leadership attributes can be assessed in advance of a crisis occurring (Schoenberg, 2005), notably with respect to CP. Following earlier works we show that TL is instrumental in positively perceiving CP and that TL enhances CP. With respect to LoC we show that the more internal individuals are the less they are inclined to be impulsive sensation seekers. It is also shown that the Imp_SS syndrome serves as a 'useful' but adverse conduit between internal LoC and CP. Meaning, impulsivity and sensation seeking aggravate crisis proneness in so far as internals are concerned. On top of stressing the inescapable requisite to inculcate and hold on to effective CM, and specifically CP, this study illustrates, and provides useful insights regarding, gender, personality traits and syndromes impact on perceived CP. Future investigators would serve this research domain well by including such additional personality traits as the Big-5, narcissism, Machiavellism and hubris.

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Figure 1: Research Model



The problems of identification and assessment of project risks: an integrated approach

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Abstract

The essence of any scheme of project financing is to identify all of the key risks connected with the project and the distribution of these risks between parties involved in the project. Without a thorough analysis of these risks at the outset of the parties would not be a clear understanding of what commitments they can take over in connection with the project and, accordingly, they will not be able to promptly consider appropriate measures to mitigate the risk at the right time.

In view of the complexity and specificity any project has its own risk characteristics, thus any project will be peculiar to the individual kinds risk and the degree of risk. But, in general, there are certain areas of risk that should be considered in any project trying to develop methods to mitigate them. The article analyzes wide spectrum basic categories of project risks; also it proved that the greatest effect of risk management can be achieved by using an integrated approach to their evaluation and analysis. The author proposed a model of complex estimation project risks, in which different groups of project risks are considered not abstracted from each other, and in the aggregate, taking into account their mutual influence and the dynamics change. Any risk can be regarded from different viewpoints (aspects): administrative, legal, medical, environmental, technological, political, psychological, moral, ethical, economic, financial and so on. Estimates of the same risk with the different aspects may contradict each other. Full judgment about the properties of this risk must compare and collate the aspect evaluation.

From the time Arnauld (1612-1694) adopted to assess risks in the continuum of Small - Moderate - High - Extreme - Fatal, relying on a combination of the two assessments of their fundamental parameters: probability of occurrence of an event, is an implementation of the risk and the severity of the potential consequences of this event. We offer the following general formula of risk assessment in the form functional:

$$R = F\{\mathbb{N}U_i(t); [P^+_k(t) \mathbb{N} P^-_n(t) + S(t)]; M(t)\} \quad (1)$$

\mathbb{N} - our proposed a synergistic summing symbol (sinergiation) (different from the summation and integration, and designated as Σ and \int , so that objects can be interdependent, but also have a different nature). The summation Σ and \int integration are special cases sinergiation \mathbb{N} .

t - time

$U_i(t)$ - i-specific uncertainty

$P + k(t)$ - positive potential risk of uniting the whole family of the positive effects associated with the acquisition of risk R

$P_n(t)$ - negative potential risk of uniting the whole family of unintended consequences, the risk associated with the acquisition of R

S (t) - the combined rate, that is the acquisition cost of risk

M (t) - the factor of "Black Swan» (Nassim Nicholas Taleb, The Black Swan), that is, the degree of probability of occurrence completely unforeseeable circumstances.

Keywords

Project financing, project risks, a comprehensive assessment of risks, uncertainties, sinergiation

Does the Newborn Business Do Matters to the Industrial Growth?

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Extended Abstract

EU policy-makers stress on the need for growth, modernization and innovation of member-states economies. Current EU policy targets are to achieve stable and sustainable development and growth in all sectors of economy. The establishment of high innovative companies and development of innovative business are set as core issues of the economic policy of EU for the last decade. Definitely, the high innovative entrepreneurial business is very important not only for the economic and technology development, but for social development as well. Different analyses present the factors leading to growth, mainly focused on the role of incumbent firms. The question about the role of entrants (newborn companies), especially those with high potential for growth and high innovation potential, is subject of analysis in the last two decades, but was not explored for Bulgarian economy. The paper tries to answer the question: *do the newborn companies have any role and influence on the economic growth in Bulgaria?*

The objectives of the paper are (i) to analyze the factors forming the industrial growth and the input of the entrants (newborn) companies for fostering it, as well as (ii) the effect of the current economic policy over the role of the newborn companies for the industrial growth.

The paper steps on the industrial dynamic methodology and on the understanding how business decisions (innovations and R&D) on micro level corresponds to macro level (GDP growth and innovation policy). Four major points should be outlined:

1. The analysis is based on the understanding of the industrial growth as it is given by Cobb-Douglas and Solow-Swan;
2. The methodology neglected the classical production function factors (resp. capital, labor, R&D and material inputs) but focuses on the change of the production based on Baily et al. (1992), Olley and Peaks (1996), Griliches and Regev (1995), et al.
3. The methodology explores the different role of the business as incumbent, newborn and business exits based on Scarpetta et al. (2002), Disney et al.(2003), Quing Gong (2004), Sekkat (2010), et al., Bartelsman, Haltiwanger and Scarpetta (2013)

4. The data adjustment is done according to suggestions of Maliranta (2009, 2010), Melitz and Polanec (2008, 2012), Carreira and Teixeira (2008), et al. due to the existence of aggregate at mezzo but not at micro level.

The *innovation policy* issues are included in the line of the EU policy respectively: Strategy 2020: goals of 2014-2020 plan; For a European Industrial Renaissance Strategy and etc. The inter-connections between industrial policy and dynamic growth are given according to studies and papers of Marleba, Nelson, Orsenigo and Winter (2001), Sharp (2003), Pack and Saggi (2003), Rodrik (2008), et al.

The analysis is based on an aggregated micro data at mezzo (resp. industrial sector) level. The basic data source is EUROSTAT - Structural business statistic database. The main indicators are: Production value, Number of Employees, Number of Active enterprise, Entrants and Exits. The data for Bulgaria is at NACE 2 level for the period 2004 – 2013 as the analysis is based on figures and calculations for 2005-2012 periods.

Proposed *empirical methods* for data processing and analysis are summarized as follows:

- Monitoring the indicators – basic descriptive analysis of collected primary data that give a preliminary expression for the economic processes and their basic results (resp. effects);
- Comparing the indicators – basic comparative analysis including correlation analysis that identifies similarities and differences between dependent indicators and its factors.
- Measurement the relations – basic regression analysis that formalizes empirical facts in knowledge about the impact of business factors on industrial growth.
- Experiments – additional multidimensional regression analysis that explores additional ground of the research.

The *basic results* of the paper that could be found according to the proposed methodology and suitable database are as follows:

- Presentation of contemporary methodological approaches that measure industrial growth and estimates the intensity of factors impact.
- Adjustments of the proposed methodological approach that gives into account the used database.
- Quantitative evaluation (quantification) the inter-connection between industrial growth and business demography factors with respect on newborn business.
- Proposed amendment of economic innovation and R&D policy that is relevant to the role of high innovation entrants for the industrial growth.

Finally, the paper is structured as follows: introduction; state of art; methodology; data analysis; policy impact and conclusions.

Small and Medium-Sized Enterprises' Internationalization: Motivators of First and Successive International Market Entry Mode Choice and Degree of Commitment

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Abstract

The aim of the paper is to investigate the internationalization (particularly exporting) of small and medium-sized enterprises (SMEs) taking a sample of United Kingdom (UK) SMEs for policy, academia and management. It focuses on the critical first and less risky step towards internationalization and separates the motivators in Home country and Host country. The paper investigates 32 specific high impact pre-selected internationalization motivators from the literature and tests their effect on the firm's initial entry mode decision and latest (or sequential) entry mode decision. Entry modes are classified incrementally according to the literature as are motivators. Results show that first entry mode choice affects later entry mode choices and both are mostly affected by home country-specific, internal, motivators as opposed to host country-specific reactive motivators. In addition, regarding policy too, regionalization plays an important role as European Union membership of the UK showed a relationship to subsequent entry mode choice.

Keywords

Small and medium-sized enterprises, SME internationalization, exporting, entry modes, international business

1. Background Issues on Entry Mode Selection

Research in the area of entry-mode selection (including motivation) has mostly been theoretical and under researched (Anderson & Gatignon, 1986; Bower, 1986; Calof & Beamish, 1995; Dunning, 1988; Hennart, 1989; Hill, Hwang & Kim, 1990; Leonidou, Katsikeas, Palihawadana & Spyropoulou, 2007; Root, 1987; Tan, Brewer & Liesch, 2007). The existing empirical research has mostly focused on the manufacturing sector (Clegg, 1990; Gatignon & Anderson, 1988; Trimeche, 2002) or entailed a mix of sectors and industries (Harrigan, 1981; Kogut & Singh, 1988). Research on the SME services sector has seen a rise in research albeit smaller (Agarwal & Ramaswami, 1992; Brouthers et al., 2003; Erramilli & Rao, 1993). Regardless of sector though, up until today the entry mode research and pre-export motivation research conducted on large multinationals is still larger than on small and medium-sized firms. Nevertheless, small medium-sized enterprises (SMEs) are significant players fuelling economic growth and innovation in the international playing field and whilst their economic impact may not be necessarily as great as that of larger multinationals, SMEs have been the fastest growing segment in international trade (Etemad & Wright, 1999) and should not limit themselves to primarily exporting. In international business research, it is generally suggested that there is a positive relationship between international involvement and firm performance (Hilmersson, 2014).

The paper focuses on the United Kingdom (UK) manufacturing sector as manufacturing (although declining in importance domestically) still represents 54% of UK exports, employs 2.6million people and the UK remains the world's 11th largest manufacturer. The European Union (EU) is the UK's main export destination along with the United States of America. According to the European Commission (2007)¹, those who expand abroad reported profit/sales ratios of 7.9% as opposed to 4.2% of those who do not. Internationalizing SMEs not only conduct more R&D, but also produce more patented products. Firstly, the paper examines the degree of internationalization along with internationalization stimuli simultaneously. Second, the paper separates motivators in home and host for extra depth of analysis. Third, it examines a specific region and country at the same time; i.e. The EU and UK.

2. Internationalization Motivators Defined

The difference between *must* and *want* determines which category of motivators should in theory affect the firm and which should not; these motivators are situational (i.e. act at one point in time) and generally consist of variables (reactive and proactive, home and host) such as unsolicited orders, size, excess capacity and common market membership (Driscoll, 1995; Kuada & Sørensen, 2000). The nature of the stimulus also may determine the firm's internationalization path and hence its survival and success; e.g. Ill-prepared or weakly stimulated firms will be more likely to struggle. According to Leonidou and others (2007) motivators can be separated into proactive/reactive and internal/external; internal being those that derive from within the firm and external from the environment. This paper separates them into home country-specific and host country-specific depending on their derivation, this is in order to emphasize and test the power of the motivators arising from the foreign (host) market and what role they play. Not all home country variables are proactive, i.e. not all initiate from within the firm, such as domestic competition (Leonidou et al., 2007). The paper focuses on the home country and host country division as it is deemed important to view the effect from a country level perspective since we are talking about international expansion from one country to another. The 32 variables selected are presented below and are recurring in the literature and either deemed of very high and high impact by Leonidou et al. (2007) or are clear host country-specific.

¹ European Commission, 2007 - <http://www.eubusiness.com/topics/sme/eu-single-market-guide/> (accessed March 25, 2015)

Motivators	Host/Home country based
Product advantage	
Technological advantage	
Economies of scale	
Marketing advantage	
Exclusive information	
Excess production capacity	
Risk diversification	
Foreign market opportunities	Host
Declining domestic sales	
Unsolicited order	Host
Small home market	
Government policy	
EU membership of the UK	
Managerial experience	
Degree of internationalization	
Age	
Size as weakness	
Market potential UK	
Market potential Host	Host
Uniqueness	
Increased domestic competition	
Competitor beginning to export	
First entry mode	
Risk of repatriating income	Host
Legal restrictions UK	
Legal restrictions Host	Host
Patents held	
Quality of management	
Networks UK	
Networks Host	Host
Quality of products	
R&D level of firm	

Examining motivators can explain to a great extent why some firms are engaged and prosper in international activities whilst others remain inactive (Bilky, 1978). Firms motivated by home pressures are less likely to engage in higher risk modes of entry due to their inertia, lack of know-how, and their being risk-averse. As Burpitt and Rondinelli (2000) state firms willing to spend time in the learning process are more likely to survive longer in exporting even when financial returns fade away; this bias towards incremental learning is very common amongst SMEs, particularly risk-averse. Leonidou (2004) divides exports barriers into internal and external. This paper focuses on the motivational barriers subdividing them into home country and host country. As Leonidou et al. (2007) state that the stimulation effort is generally based on reactive factors and this may lead the firm into problematic export paths, the effort should be based on proactive (initiated strategically by the firm) factors (e.g. Strengths, excessive capacity, identifying foreign market opportunities) as each opportunity is examined carefully to ensure that it conforms to the company's goals for profits, sales and is overall strategic export plans. Following the Uppsala model perspective of incremental learning and experiential knowledge (Bilkey & Tesar, 1977; Cavusgil, 1980; Johanson & Vahlne, 1990, 1977) and Barney's (1991) Resource-based view of internal competences as inhibitors of internationalization² (Armario et al., 2008; Terziovski, 2010), the paper will test the hypothesis that

² For example the phenomenon of Born Global firms (McDougall & Oviatt, 2000; Rialp et al., 2005)

proactive (home country-specific) are more prone to lead to risk-loving expansion further away from the home market in sequential entry mode choices, than reactive(host country-specific) motivators which should affect initial choice (Leonidou et al., 2007; Reid, 1981).

3. Empirical Literature on Export Related Activities

Exporting is the first, and least risky, step into internationalization. As Jones (2001) states the initial entry mode choice will be trade related due to lack of experience and risk adverseness, thus linked more to host country motivations reactively. Several empirical studies have examined the impact of export related activities (Gray, 1997; Leonidou & Katsikeas, 1996; Trimeche, 2002). Most of the empirical research viewed the firm's involvement in international operations as an evolutionary and sequential process, based on the fundamental assumption that export activity develops from a series of incremental decisions. Theoretical development has been based largely on the "Uppsala Internationalization Model" (Johansson & Vahlne, 1977; Johanson & Widensheim-Paul, 1975), suggesting that firms move through stages as they progress from being non-exporters to being actively involved in export markets.³ The Uppsala model has been challenged as lacking in explanatory power and testability (Andersen, 1993), as being overly simplified, and as being out of date and inaccurate due to the new "Born Global" phenomenon (Rialp et al., 2005). As Leonidou et al. (2007) state, the literature till now has been non programmatic (with duplication of work), fragmented, inconsistent, and approached only partially specific motivators while neglecting other critical ones and finally did not offer an analysis of the importance of each stimulus to exporting.

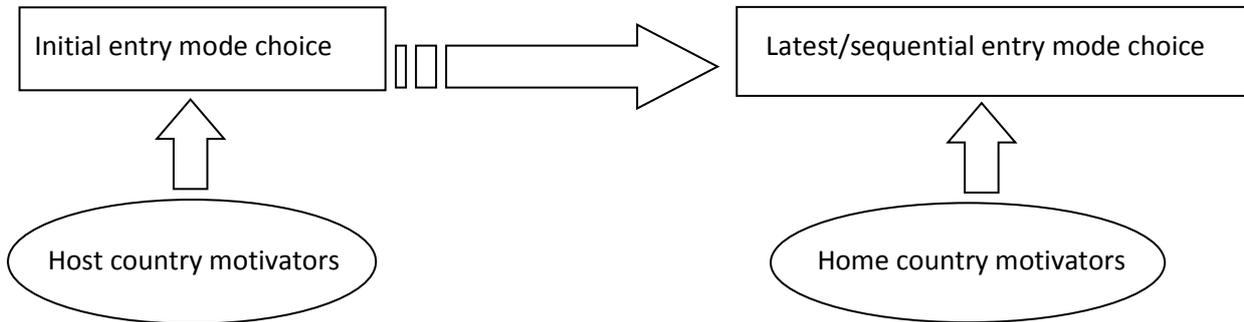
4. Hypotheses and Analysis

Many firms establish their first business contacts by reacting to an initiative, or establishing contacts in trade fairs for example. By acting rapidly, i.e. following a proactive home country motivator, they can realize new opportunities that open with changes in the network, initiatives by existing partners or new entrants to the network. Capabilities must be built with a long-term perspective, particularly if we take into account SMEs' size disadvantage in terms of survival rates (Agarwal & Audretsch, 2001), and include country-specific expertise as well as the establishing and maintenance of networks for example and routines (Eisenhardt & Martin, 2000). Within the context of SME internationalization for UK SMEs it is important to view the EU common market as a significant motivator and this is because of the advantages it bestows to the SME; red tape and border bureaucracy has been significantly reduced, trade within the EU has risen by 30% since 1992 (Source: European Commission, 2007). Obstacles can be overcome if detected in time and if the SME can understand which motivators affect its internationalization process enabling the SME to design a better strategy to overcome the perils of international markets and foreign exposure, particularly outside of the EU common market (Baird et al., 1994; Namiki, 1988).

Home country, more proactive stimuli, are implied to be associated with subsequent entry mode choices. Thus, the paper aims to test whether host country motivators reactively are less powerful in promoting risk-loving behavior and influence the firm in its initial decision as opposed to home motivators such as strengths and internal factors which influence subsequent mode choice (Cavusgil & Nevin, 1981). The entry modes are classified by commitment level as per Pan and Tse (2000); specifically in order of commitment exporting, licensing, franchising, joint-venture, and foreign direct investment. The higher the entry mode (i.e. the higher value of the variables "first entry mode" and "latest entry mode") denotes a choice of higher commitment entry mode (Pan & Tse, 2000). The following model represents the hypotheses:

³ Andersen (1992) provides a review of the internationalization models in the literature.

4.1. The hypotheses and relationships are represented in the following model:



The paper tests the following hypotheses:

- Hypothesis 1 Host country motivators are positively associated with the firm's first entry mode choice
- Hypothesis 2 Home country motivators are positively associated with the firm's latest entry mode choice

5. Methodology

The definition of SME size used by the study is the EU SME definition of 2003⁴. Surveys conducted on SMEs are known for not being as feasible as their large firm counterparts due to the small response rates, and as William and Dennis (2003) state, SME surveys are generally harder to administer. This study has achieved an adequate response rate of 15% by following up (Leonidou, 1995; Jobber, 1986). As Greer, Chuchinprakarn and Seshadri (2000) state the content of the study is the most important element to achieving a higher response rate and that is why the study was also accompanied by a reference letter from the UK Forum of Private Business. Created from probability (representative) sampling, questionnaires with Likert-type scales were sent out during the period of 2010-2011 to all the independent SMEs working within manufacturing in the UK which have been singled out from the databases. The SMEs had to be independent in order for them to be able to make their own choices and select their own strategies, along with being responsible for utilizing their own resources. Subsidiaries were not taken into account. As the response rate is not usually very high, e.g. 10-15% (Jobber & O'Reilly, 1998; William & Dennis, 2003), the paper targeted all of the enterprises from the sources of data and achieved a response rate of 15% including the non-respondents and the ineligible. The year of establishment of the sample's firm ranges from 1920 to 2004, with the majority of the firm having registered with companies house (and hence been established) between 1981 and 2004. As mentioned before, any firm established 5 years or less before its first international move is defined within the literature as a born global (Rialp et al., 2005; Oviatt & McDougall, 1994). Of the respondents who answered the entry mode question the majority (84) were exporters as expected (Jones, 2001), with the rest in other entry modes as shown below.

Latest international entry mode	Frequency
Exporting	84
Franchising	4
Joint-Venture	7
Wholly owned subsidiary	6
Total	101

⁴ http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm (Accessed 18/5/2015)

The non-respondents were analyzed and were all refusals and not ineligible. Following the methodology, a sample of 648 independent internationalizing SMEs were singled out from the total number of independent UK manufacturing SMEs in the EXPERIAN⁵ database with was the sampling frame. Reliability analysis using Cronbachs' alpha showed $\alpha = 0.83$, thus the questionnaire has internal consistency is reliable within the acceptable limits. A total of 105 questionnaires were returned from a total of 648 questionnaires sent out, out of which 103 were complete and 2 were not, i.e. they had more than 30% of their data missing. This translates into an overall response rate of 16.2%, and response rate of 15.9% complete questionnaires. Of the 103 respondents, including missing data, the majority were medium sized firms:

No. of employees	No. of firms
10-49	60%
50-249	40%

In detail, out of a total of 648 independent firms singled out, all were surveyed along with 42 more receiving a second round according to time constraints. Spearman's rho was used to explore the relationships between (all) the independent variables and (both) the dependent variables. A priori power analysis reveals that for a two-tailed t-test, a medium effect size $d = 0.5$, a significance level of $\alpha = 0.05$, and a power $(1-\beta)$ of 0.7, the required sample size is 100; Thus making the sample size of 103 adequate.

6. Results and Discussion

The following 9 variables out of the 32, ie motivators, examined showed significant results as presented below

Variable	Dependent variable: First entry mode choice	Dependent variable: Latest entry mode choice
Increased domestic competition (<i>Home</i>)	(rs = -0.2, p = 0.05)	-
Market potential UK (<i>Home</i>)	(rs = 0.3, p < 0.01)	-
Market potential Host (<i>Host</i>)	(rs = 0.2, p = 0.02)	-
Uniqueness (<i>Home</i>)	(rs = 0.3, p = 0.01)	-
Size as weakness (<i>Home</i>)	(rs = -0.2, p = 0.02)	-
First entry mode (<i>Home</i>)	-	(rs = 0.3, p < 0.05)
Competitor beginning to export (<i>Home</i>)	-	(rs = 0.2, p = 0.05)
Government policy (<i>Home</i>)	-	(rs = 0.2, p = 0.05)
EU membership of the UK (<i>Home</i>)	-	(rs = 0.2, p = 0.05)

⁵ EXPERIAN Marketing Services is a global provider of integrated consumer insight, data quality and cross-channel marketing. (<http://www.experian.co.uk> – accessed 27/4/2015)

6.1. Hypothesis 1: Host country motivators are positively associated with the firm's first entry mode choice

Increased domestic competition

This home country variable shows a modest negative relationship ($r_s = -0.2$, $p = 0.05$) with first entry mode choice showing that as domestic competition increases, the SME will opt for lower commitment modes of entry. This could be due to the risk awareness of companies who reactively internationalize due to increased domestic competition, while those who proactively exit even though domestic competition is low may show a preference for higher commitment modes. Due to European integration, competition has escalated, in both national and international markets; thus, almost one-third of SMEs have proceeded to increase the number of international business contacts in the recent years. Proactive management under hostile and benign environments is critical for strategy and many times calls for internationalization (Covin & Slevin, 1989).

Market potential UK

This home country variable shows a modest positive relationship ($r_s = 0.3$, $p = 0.01$) with first entry mode choice. Market potential in the home country, i.e. Customer spending power, demand and competition, denotes the level to which the firm's local market provides the opportunity for immediate or sustainable profits; the same can apply to foreign markets. This relationship shows that there is a potential link between higher potential in the local market and higher entry mode choices in foreign markets. This may be explained by the fact that higher entry modes require higher levels of investment, risk and assets, which may be provided by a local market with high potential as opposed to reactive lower entry modes (Johansson & Vahlne, 1977, 1990).

Market potential Host

This host country variable shows a modest positive relationship ($r_s = 0.2$, $p = 0.02$) with first entry mode choice. Market potential in the host country was seen as most significant host country attribute leading to international ventures. Host Market potential is a typical instigator and acts as an instigator for a proactive firm with international expansion and exporting in mind, or even for proactive ex-internationalizes and born again globals to be able to undertake internationalization and undertake it with a high level of investment. This variable and market potential in the UK could sometimes act simultaneously. As Covin and Slevin (1989) point out hostile environments require entrepreneurial strategy while benign and more familiar environments require a more conservative, risk-averse, strategy for survival.

Uniqueness

This home country variable shows a modest positive relationship with first entry mode choice ($r_s = 0.3$, $p = 0.01$). Uniqueness refers to the uniqueness of the firm's products; ie. To what extent can they be imitated, to what extent they can be recreated or transferred to another market and how fast can they be replicated (Barney, 1991). Uniqueness is a source of competitive advantage for the firm and it is thus a home country motivator. The competitive advantage created by have a unique product can be replicated abroad and this is a strong motivator for a firm to engage in international activities (particularly in conjunction with other possible motivators such as networks in a host country). According to Todtling and Kaufmann (2001), SMEs innovate in different ways to larger firms, as they command fewer resources, will have less R&D and face more uncertainties and barriers to innovation than larger enterprises.

Size as weakness

This variable examines to what extent is size seen as a weakness by the SME and thus how does it affect entry mode choice. It seems there is a modest negative relationship with first entry mode choice ($r_s = -0.2$, $p = 0.02$) as logically size is seen as being critical and the more a manager sees being small as a weakness, the lower will be the investment in international markets. As Calof (1993) shows

firm size is positively associated with the number of markets a firm reaches out to. Size is an omnipresent factor when talking about SMEs or studying SMEs, it is assumed by many to be the critical factor in any SME strategy, as it is made out of resources, and resources denote size. As Fiegenbaum and Kamani (1991) state, SMEs may see size as a burden, yet size allows for output flexibility and the ability to reshape a strategy and adapt faster. The size of the firm is one of the main barriers that the firm can encounter (Calof, 1993).

SME International experience

This home country variable showed a modest positive relationship with first entry mode choice ($r_s = 0.2$, $p = 0.03$). The manager can have international experience with any firm, or with an SME and it is a critical motivator for the firm, as it can help it overcome a variety of obstacles including costs and legal obstacles through experience and ingenuity (Knight, 2000; Reuber & Fischer, 1997). It is not coincidental that of our sample of internationalizing SMEs almost all managers had 10 years or more of international experience with an SME or with any kind of firm. As Reuber and Fischer (1997) point out internationally experienced management teams have a greater propensity to develop foreign strategic partners and to delay less in obtaining foreign sales after start-up, and that these behaviors are associated with a higher degree of internationalization.

Characteristics that have been found to predict propensity for exporting include: the extent to which the manager had engaged in foreign travel; the number of languages spoken by the manager; and whether the top decision maker was born abroad, lived abroad or worked abroad (Meisenbock, 1988; Reid 1981). Firms that are international from birth are typically founded by a team of individuals with international experience (McDougall et al., 1994; Oviatt & McDougall, 1994). Finally, Ghoshal (1987) has argued that organizations that internationalize earlier and obtain foreign sales faster are likely to develop fewer routines and resources which make it difficult for them to move out of domestic markets.

6.2. Hypothesis 2: Home country motivators are positively associated with the firm's latest entry mode choice

First entry mode

This variable shows a modest positive relationship with the SME's latest entry mode choice ($r_s = 0.3$, $p = 0.01$). The first move tends to be trade related and is very critical to the firm along with the initial pre-export phase (Jones, 2001; Wiedersheim-Paul et al., 1978). It seems for many SMEs the initial entry mode choice affects the choice of further subsequent moves; this may be due to experiences gained (positive or negative), networks built in specific countries (Rangan, 2000), lack of qualified employees, lack of managerial skills, and potential risk-averse attitude towards foreign markets (Johnansson & Vahlne, 1997, 1990) and a slower rate of incremental learning.

Competitor beginning to export

A direct competitor beginning to export is a clear host country variable leading the firm to internationalize just to maintain market share, and stay in the game. It would rarely (unless the competitor decides to expand far) lead to expanding further away. This variable shows a modest positive relationship ($r_s = 0.2$, $p = 0.05$) with latest and subsequent entry mode choice as SMEs reactively follow competitor's moves into foreign markets, possibly due to the effect of government policy (also related) or a saturated domestic market.

Government policy

As government policy is (mostly) considered a barrier (Leonidou, 2004), it is expected, unless beneficial, to lead to exploring foreign markets. The variable shows a modest positive relationship with latest entry mode choice ($r_s = 0.2$, $p = 0.05$). Government policy can determine the final entry mode that the firm selects and can force the firm to change or stop its plans for expansion, as a

moderator. Government policy could be a subsidy towards SMEs or a training program, or could be the opposite, for example heavy taxation. For a firm ready to internationalize motivated by a specific motivator such as a firm specific advantage a change in government policy towards higher strict measures such as taxation would alter the firm's plans and slow down its internationalization if not end it, according to the costs it can bear, to the level of experience of the manager or the strength of its competitive advantage. The firm naturally, after being instigated by a motivator(s), has a "desired" entry mode and export intensity in its mind, yet this is redirected, stopped or boosted by variables such as government policy which block the firm's actions or inhibit them, forcing it at times to alter and change plans completely.

EU membership of UK

This variable shows a modest positive relationship with latest entry mode choice ($r_s = 0.2$, $p = 0.05$), as the EU common market and membership of the UK provide a platform for many reactive managers to venture abroad. The variable is a home country variable but is directly linked to the EU common market which in term exerts a "pull" effect on UK SMEs due to the fall in red tape and barriers to internationalization. As the "pull" pressures from the host country rise so does the firm's motivation to venture abroad outside of its own safety net within the EU and follow its internationalization plans with a more risk loving strategy. If the host motivators come from a non-EU country their power, as is shown, is strong enough to lure the firm that accepts them into internationalizing outside of the EU overcoming psychic distance at times in a much more rapid manner than that suggested by Johansson and Vahle (1977) in their work on gradual expansion.

7. Conclusion

The variables and motivators examined for first and latest entry mode choice were the same as listed above, yet the ones that showed a relationship were different for first and last entry mode choice. This indicates that managers and the SME view the first and subsequent moves differently and are instigated by different motivators. In addition, almost all of the motivators, except market potential of the host country, were home country variables (i.e. Linked to innovative behavior and proactiveness) which calls for further investigation particularly for hypothesis 1. This can be seen by the positive relationship between first and latest entry mode choices, hinting that SMEs' subsequent choices may be directly affected by their initial first entry mode choice but that initial choice is not necessarily motivated only by reactive(host country) stimuli and incremental learning. This also calls for further investigation.

Although the paper focused on analyzing entry mode as a choice and degree of commitment, it would be interesting to see the relationship between specific modes of entry (e.g. FDI) and the variables examined in the paper, particularly first entry mode choice. Boosting and encouraging the international activities of SMEs is of vital importance for managers and policy itself (Knight, 2000; Luostarinen & Welch, 1990). In addition, investigating the determinants of initial mode of entry can encourage reactive managers to become proactive as they are more aware of the potential of their resources, the significance of the pressures they receive and the modes of entry that are feasible for them at that point in time increasing their options and motivation. Policy makers should seek to encourage, inform, and boost SME international activity for current internationalizers and non-internationalizers.

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Brazilian Country of Origin Image Appropriation by European Brand

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Abstract

The country of origin image (COI) concept may contain the stigma that products from emerging countries are seen as low quality products. This effect becomes an obstacle for companies of emerging countries to compete in international markets. But what about when companies from developed countries appropriate of an emerging country's image attributes in building its brand positioning? It is in this light that this study provides its academic contribution as an answer, an investigation into the use of COI attributes of an emerging country like Brazil in a French-origin brand, such as *L'Occitane*.

Keywords

Country of origin image, brand positioning, emerging markets

Analytical Approach to Issues Reputation Management, Its Selected Assessment and Measurement Tools

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Abstract

The meaning of the concept of online reputation management is constantly growing, more so in today's competitive business environment, where proper setup can contribute to the overall prosperity, as well as affect the market value of a company. There are many instructions and procedures on how to coordinate reputation in the right direction, however, we need to realize that success is not just about good technology or portfolio of offered products. The objective of this paper is point out theoretical bases of reputation in online and offline environments as well as present selected assessment and measurement tools for reputation in business practice.

Keywords

Reputation, reputation model, tools, visibility

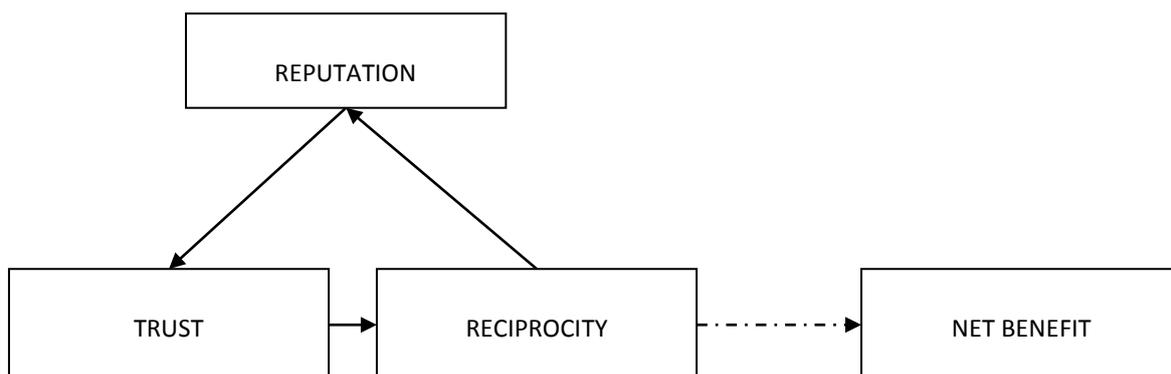
1. The Current State of the Theoretical Background

Reputation Institute (2011) defines reputation as a comprehensive representation of consumer perceptions and interpretations of perceptions of process and results of a company in the past and expectations of future actions and results. According to the American Heritage Dictionary (Ozturk, 2013) the term reputation is defined as an overall opinion of stakeholders of a company. However, reputation reflects credibility in relation to customers and an overall increase in market value, but it also has an impact on a company's market position by influencing decision making of stakeholders (Dentchev & Heene, 2004: 59). Fombrun and Van Riel (2004: 37) define corporate reputation as a value that differentiates a company from other companies, is linked to performance of strategic measures and activities, and it is difficult to imitate. In defining reputation authors often decline common denominators - trust and cooperation. The basis of reputation building is the very perception of external observers, that is consumers or customers. Fombrun (2004) further suggests basic underlying propositions: be reliable and credible in relation to stakeholders and their perception of a trade mark, which forms the basis of good reputation. Perception is reliable and credible, created on the basis of human visualization.

In the context of consumer perception Budd (1994: 11-12) notes that it is very difficult to change the perception of a trade mark. In spite of the fact that it can be modelled, it adjusts itself according to factors coming from outside. The fact that companies literally fight for their reputations, since its effect can change attitudes, decisions and behavior of consumers is analyzed by many authors in their studies (Mui, 2002; Dewan & Hsu, 2001; Houser & Wooders, 2000; Frooman, 1999; Shapiro, 1983; Williams, 2005). High reputation can increase customer confidence in their purchase decision, which reduces the purchase dissonance and leads to increased satisfaction and customer loyalty (Lafferty & Goldsmith, 1999: 110).

Following model shows the reinforcing relationships among trust, reputation and reciprocity. The direction of the arrow indicates the direction of influence among the variables. The dashed line indicates a mechanism not discussed (Mohtashemi & Halberstadt, 2002)

Figure 1: Model of Trust and Reputation



Source: Mohtashemi and Halberstadt, 2002

Authors further use the following definitions: (Mohtashemi & Halberstadt, 2002)

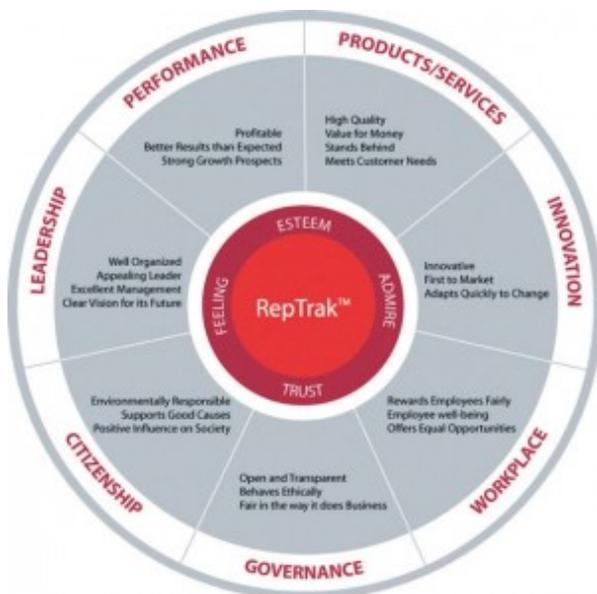
- Reciprocity: mutual exchange of deeds (such as favor or revenge).
- Reputation: perception that an agent creates through past actions about its intentions and norms.
- Trust: a subjective expectation an agent has about another's future behavior based on the history of their encounters.

1.1. Corporate reputation model

When referring to reputation the concept of performance is becoming more frequent. It is thus important to consider selection of the right parameters or indicators, by means of which it would be possible to quantify reputation in the context of overall performance in the manner adequate for a particular organization. A wide range of factors and criteria can be taken into account, from the perspective of both the financial and non-financial. A key success factor is most commonly associated with the output - result of the work. Fombrun (2004) defines the methodology, which aims to measure the perception of a company by shareholders. He lists 20 factors that influence reputation on the basis of 6 criteria: emotional factors, products, and services, vision and leadership, and social responsibility of a subject. Turner (2004) describes another model of reputation factors. He not only defines eight main factors reputation, but for each he also indicates sources of information that affect them. In addition, these factors are divided into rational and emotional (Turner, 2004). From the perspective of the definition of virtual reputation factors Dorčák and Pollák (2010) argue that, in spite the lack of analyses, many authors believe that reputation is much more important in the online than in the offline context, as factors determining the confidence in offline context are absent and are not yet known.

Reputation Institute (2011) defines a set of seven major factors affecting corporate reputation, namely products, innovation, workplace, governance, citizenship, leadership, and finally, performance and results of a company, collectively forming the model of corporate reputation - RepTrak, as the graphics shows. It is a model and system of regular measurement of reputation of global corporations developed by Reputation Institute, a company researching reputation.

Figure 1: Model of corporate reputation



Source: Reputation Institute, 2011

2. Reputation in the Online Environment

Reputation management has become an integral part of, and at the same time the hallmark of the „real“ as well as the virtual world known as online reputation management or Search Engine Reputation Management. While some Internet users are careful and focus exclusively on specific

target activities, other Internet users have an open access for sharing information without restrictions. Search engines and social networks play a key role in building reputation, be it reputation of a natural person, or reputation in terms of business (Madden & Smith, 2010). Online reputation management is formed by following aspects:

- online monitoring of the Internet and users;
- communication with the public and clients;
- evaluation of the results;
- crisis reputation management.

With regard to online reputation management of enterprises and their development predispositions in the conditions of competitive markets, Sasko (2014. Podnikajte.sk) states that "monitoring online reputation should be an important part of marketing for any business. Using online monitoring companies can learn a lot about what their clients, partners, or employees think of them. By disclosing bad reputation at the right time a variety of losses stemming from the bad reputation can be prevented." The fact remains, that building good reputation is a long-term process, but with the risk of being lost literally within seconds.

Tips for online reputation management: (Monhollon, 2012)

1. Stop negative reviews before they are posted online - it is important to know how to deal with dissatisfied customers and nip the problem in the bud.
2. Get the basics of reputation management - gain an overview of what customers think of the company, eliminate deficiencies and share positive results.
3. Ask satisfied customers - ask customers for online review.
4. Claim local business listings like Google places - it helps keep tabs on what consumers are posting about you online and gives you a formal place to direct happy customers to leave reviews.
5. Respond to negative reviews - know how to handle and respond to negative reviews.
6. Respond to negative posts on social networks - learn the inputs and outputs of how to respond to negative posts on sites such as Facebook, Twitter.
7. Prevent fake online complaints - learn more about false complaints and a company can do about them.

Online reputation management combines marketing and public relations with SEO. Visibility, high ratings and good reputation are the main goals which eliminate bad reputation in the online environment, in particular within websites search engines. Statistics show that people rarely see more than two pages of search results. Online reputation management protects and manages reputation of a company by active involvement in the search results on the Internet through the Monitoring - Analysing - Influencing process. Online reputation management implemented effectively into corporate practices should fulfil the following tasks: (seopartner.sk)

1. Monitoring the online reputation of your business, brand, name.

Important factors for anyone who wants to be on the Internet are online branding and reputation management. Monitoring needs to include all the relevant data, from the company name, brand to competition monitoring.

2. Creating reputation barriers against negative reviews

In order to build barriers against the negative reviews, maintaining them before displaying on prominent places, the formation of pro-active SEO, creating a new positive content, or articles on the web with quality content is necessary.

3. Control over reputation and image

Online reputation management allows 100 % control of the results that appear on the first page of Google search.

4. Eliminating negative or false information and data from the Internet

Published false information that affects name and that is located on the first pages of Google searches can be removed in two ways: by identifying the person or the site admin who is responsible for its publication with a request to delete the message. Should the request be ignored, it is necessary to take legal steps.

5. Eliminating negative pages from the first pages of Google search

SEO techniques are used to achieve this. Negative results are eliminated by strengthening the positive and neutral results.

3. Selected Tools of Management and Measurement of Online Reputation Management

The RepTrak Model

The RepTrak Model tool started out as a revolutionary idea that reputation can be measured if you have a scientific, disciplined and consistent way to capture stakeholder perceptions about a company or an organization. Today it is used by hundreds of organizations to measure, communicate and manage initiatives that impact reputation. (reputaionstitute.com)

Model of a simple counting and averaging

The simplest form of calculation reputation score is to count the number of positive and the number of negative assessments, while reputational score is the difference between the positive and the negative assessments. This model uses the electronic marketplace eBay and in spite of its simplicity it is a very effective way of encouraging transactions between users. Slightly more advanced system is a system for calculating reputation score as an average of all ratings. This system is used on many commercial websites such as Amazon online store. Advanced models of this category calculate an average of all ratings taking into account the factors such as the credibility or reputation of the source of evaluation, the age of rating, the difference between the previous and the current rating. (Jøsang, Ismail, Boyd, 2007)

ReGreT

ReGreT model is a system aimed at small and medium-sized e-commerce environment, where social relations between individuals play an important role. The system takes into account three different sources of information: direct experience, third-party information and social structures. Reputation is divided into three specialized types depending on the source of information that are used for the calculation:

- reputation calculated on the basis of information from witnesses
- reputation calculated on the basis of information obtained from social relations between partners
- value of reputation based on roles and general characteristics

In this system, each value of reputation has its degree of reliability, which indicates how credible a result is. This measure helps decide whether it is appropriate to use the resulting value as part of the decision-making mechanism. (Sabater & Sierra, 2003)

Flow model

Systems that calculate a reputation using intermediate interactions between participants. These Flow models assume a constant value for the entire group of rated entities, which is divided between them. In general, reputation of one participant can be increased only at the expense of another participant. An example of such a mechanism is PageRank from Google, where the number of hypertext links to a website helps to increase PageRank of a website, while this number contributes to reducing PageRank of referral website. Basically, the PageRank assigns website a score depending on how many other websites links to it. (Jøsang, Ismail, Boyd, 2007)

Bayesian system

Bayesian system is based on binary reputation assessment, where positive or negative reputation are the input values, and reputation score by statistical adjustments is the result. Reputation score is a combination of original and updated reputation. Reputation score can be expressed by a number of positive and negative assessments or in the form of probability of expected beta value. The advantage of this method is that it provides a relatively reliable basis for the calculation of reputation score, but complexity is its disadvantage. (Jøsang, Ismail & Boyd, 2007)

4. Conclusion

Online reputation management is important for individuals as well as for companies. The more popular a brand is the more criticism it attracts. Anyone in the online environment can publish any content about a brand or a company. It is very important to monitor and to some extent manage such contributions and mentions of a company, but given the size and complexity of the Internet it may not be easy. There are many tools on the market in the form of software and applications that significantly help monitor and manage online reputation. However, the choice of effective and optimal tools for measuring and managing online reputation in business practice is a difficult and complex choice that fully depends on the nature and objectives of the organization itself. Reputation, especially in the online environment of immediate decisions, is often the critical factor for customers when purchasing products, visiting an institution, or ordering services. In addition to the positive image built over many years regular verification of the level of reputation and the elimination of negative reports is important (Pollák et al., 2014). Therefore, reputation management one of the most important parts of building good reputation of every company, without an exception.

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Self-Assessment as Tool for Continuous Improvement, Application of EFQM Model in Chassis Brakes Poland

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Extended Abstract

Background

Total Quality Management it is a comprehensive concept of collective effort-oriented continuous improvement of the organization in all aspects, areas and the effects of its business. In time of word wide crisis or in other words slowdown of economy is very important to focus company targets on efficiency of operational tasks and quality. For continuous improvements activity can be used different tools, as one of most used in marked is self-assessment. Such technique from the perspective of company management, it is very useful for any organization wishing to develop and control the introduction of "Model for Management". This type of systematic review and measure the most important parameters and areas of the organization is one of the main lines of action in any management concept. The tool, which is self-esteem, allows organizations to precisely determine its strengths and areas for improvement. This process should lead to the development of planned actions to improve the work of the organization and its systematic control. Target of article is to shown examples of such self-assessment.

Results

Paper consist four paragraphs. In the first one we are having description of self-assessment as tool for continuous improvement. Second paragraphs describe models of Quality Awards with focus on Polish Quality Award and also Regional Awards. Model for Management: Polish Quality Award has been developed based on the Model of European Quality Award. In different region of polish country we can find regional specific awards but all of them are based on the same model. Lower Silesia Quality Award has nine pillars. These pillars are based on the values of the organization as loyalty, honesty, commitment to the development of the company, meeting customer satisfaction, active care of the environment, working with the local community, building the culture of the organization, building a quality of life, both material and spiritual - ethics. In third paragraph we can see results of assessment in Chassis Brakes Poland (Company after carve out from Robert Bosch corporation and currently stand alone organization producing safety products for automotive industry – disc brakes and drum brakes). Such activity as self-assessment allows identification of the root causes of the critical areas and formulate proposals aimed to introduce the necessary changes in organization management. Fourth paragraph content areas for improvement and action plan with priorities for implementation.

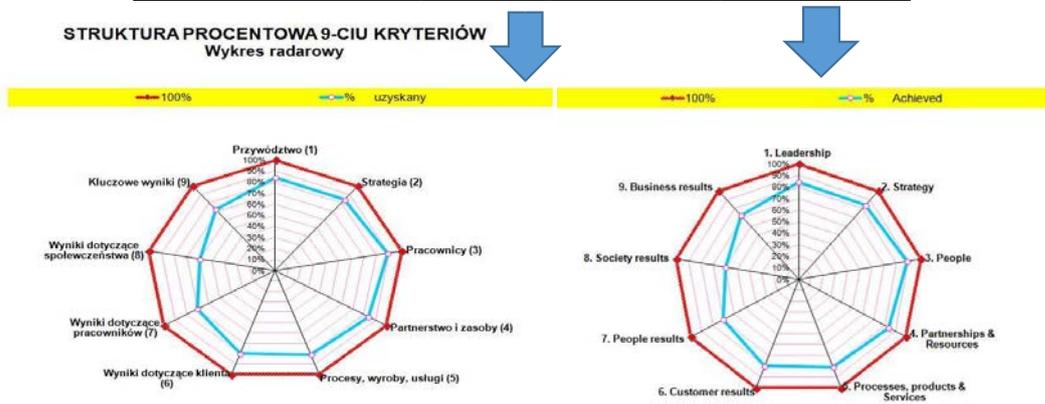
As main part of that abstract I want to focus on results of research which are shown in table 1 which is showing comparison of results from self-assessment done by plant and results from visiting expert as cross check. Target of that activity is to check quality of actions which were performed during research. As we can see in different areas we can observe several differences. This is first of areas for improvement in usage of self-assessment technique. Positive point is if we will take helicopter point of view and from perspective see spider graphs from which we can see areas for improvement in organization results comparing to model. Base on that work were defined weak point which we can

see in table2. To close cycle of Plan –Do –Check –Act (PDCA) weak points were grouped together to actions. Each action have responsible person and priority base on which were created global improvement plan. I want highlight management focus in areas of communication and employee suggestion system. Second category of actions were connected with review of company KPIs which were not transparent to person from outside of company and overview of them in departments boards is to complex. There were also points related to complicated manufacturing processes to which actions were not defined.

Table 1: Result of assessment performed by plant and visiting expert in format of table and radar graph

	POINTS		
	Self-assessment by plant	Initial assesment of documentation by experts	Expert assesment after visit
1. Leadership	84	80	85
2. Strategy	84	75	82
3. People	89	73	81
4. Partnerships & Resources	84	76	72
5. Processes, products & Services	81	77	81
6. Customer results	120	105	120
7. People results	70	70	70
8. Society results	60	60	70
9. Business results	109	105	90

STRUKTURA PROCENTOWA 9-CIU KRYTERIÓW
Wykres radarowy



Source: own work

Table 2: Weak points identified for improvements

	Weak points
1. Leadership	1.1 Communication process shall be improved due to relocation process. 1.2 Simplify data on the department boards, they seems to be complicated. 1.3 Further communication process improvement is recommended. 1.4 Improvement by simplification of employee suggestion scheme is recommended. 1.5 Line managers needs time for full adjustment.
2. Strategy	2.1 Improvement of definition methods and assesment of critical processes and it's verification is recommended. 2.2 Benchmark process improvement is recommended. 2.3 Further strategy improvement after organization transformation is recommended. 2.4 Communication process shall be improved due to relocation process.
3. People	3.1 Employees survey improvement process is recommended. 3.2 Improvement of competence matrix to permit objective assesment of production employees competencies is recommended. 3.3 Improvement by simplification of employee suggestion scheme is recommended. 3.4 Communication process shall be improved due to relocation. 3.5 Improvement of bonus system and society activities enforcement is recommended.
4. Partnerships & Resources	4.1 Local target management improvement process is recommended. 4.2 Plant results improvement process is recommended. 4.3 TPM activities improvement is recommended. 4.4 Some of the production lines are complicated and could be more flexible. 4.5 Two ways communication flow, assesment of communication by employees is recommended.
5. Processes, products & Services	5.1 Improvement by simplification of employee suggestion scheme is recommended. 5.2 Further innovation improvement system is recommended. 5.3 Further marketing strategy improvement is recommended. 5.4 More focus on critical process identification is recommended. 5.5 Further improvement of specific customer requirement mindset is recommended.
6. Customer results	6.1 Brand recognition improvement is recommended. 6.2 Communication process shall be improved.
7. People results	7.1 Systematic employees survey shall be maintained. 7.2 Communication process shall be improved due to relocation process. Plant results improvement process is recommended.
8. Society results	8.1 Further improvement of process with influence on society is recommended. 8.2 Further improvement of process with influence on society is recommended.
9. Business results	9.1 Communication process shall be improved. 9.2 Further improvement of some process indicators is recommended.

Source: own work

Conclusions

As output experience shows that the development of self- assessment, in the practical activities of the organization, brings better understanding of model and a number of benefits for organization. As the most visible we can highlight definition of courses of action in determining what should be done, An assessment based on facts and not on perception of the individual, a disciplined and systematic approach to improving the activities; an objective assessment against a set of criteria widely recognized throughout Poland / Europe, stimulating action to improve management, focusing on the areas where these improvements are most needed - the priority, means of measuring progress over time through periodic self-assessment.

Looking for self-assessment in crisis time we can find easy profits for organization for cost and resources point of view. We can perform it when we have time for it. There is no pressure of internal, external audits. We are not forced to pay money for certification body which will perform assessment according to standard. We can dynamic assessment according to model and if we are good organization we can start competition in Quality Awards areas. Such activity can be used in commercial promotion of company and focus in own strengths – continuous improvement. It can be good base for winning of new customers and markets.

Research done in Chassis Brakes Poland is inspiration for next activity which will be study about knowledge and usage of self-assessment tool in polish automotive industry with focus on EFQM model.

Keywords

Quality management - continuous improvement tools, self-assessment, application of EFQM model
application of EFQM model

Analysis of Business Cycles in Post-Communist Countries

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Abstract

European post-communist countries integrated in European Union are emerging market economies. However, their short-run economic performance does not correspond to the observed business cycles of world emerging markets. Business cycles of the studied countries last longer and recessions are more pronounced, economic activity is relatively low volatile, trade balance and government purchases are relatively high countercyclical. It follows from our business cycle study of chosen European post-communist countries. In the study we determined peaks, troughs, expansions and contractions. We measure cyclical properties by computing first and second moments of chosen macroeconomic cyclical components. In conclusion we reason that post-communist business cycles are driven by more permanent real shocks. A discussion and questions about business cycle analytic tools relevant for European post-communist countries follow from the study.

Keywords

Business cycles, emerging markets, Hodrick-Prescott filter, economic volatility

1. Introduction

Business cycle analysis is important for a choice of an appropriate economic policy as well as for a strengthening of the global macroeconomic knowledge of the society. Business cycle theories are one of the two macroeconomic theory pillars, which are considered as the short-run macroeconomics. In both cases – i.e. policy choice and strengthening of macroeconomic knowledge – one should not omit the long-run macroeconomic pillar – economic growth theory. In this paper we identify cyclical properties of chosen post-communist European Union member countries to clarify a choice of correct analytic tool for business cycle analysis in these countries.

The business cycle definitions are different. Burns and Mitchell (1946) identify business cycles identifying turning points in aggregate series. Lucas (1977) identifies business cycle using movements about trend. We use Burns and Mitchell's (1946) definition of business cycle to identify business cycles and Lucas's (1977) definition to find cyclical properties of chosen aggregate data series. Using Lucas's definition we say that aggregate time series is pro-cyclical (counter-cyclical), if the cyclical component of series is positively (negatively) correlated with the cyclical component of output time series. If aggregate data series' cyclical component is not correlated with output's cyclical component, it is a-cyclical. The volatility of the data series is measured by the standard deviation of its cyclical component. The persistency of the data series is measured by serial correlation of its cyclical component.

For our purposes we need to take account the country characteristics as its population size, openness and wealth. Studied European post-communistic countries are, according to the Uribe and Grohé-Schmitt's (2015) definition, emerging. Their average PPP converted GDP per capita over the period of years 1990-2009 is within the range 3,000-25,000. Uribe and Grohé-Schmitt and Montiel (2013) notice that observed business cycle facts are different in differently wealth countries. Uribe and Grohé-Schmitt summarize these facts:

- business cycle in rich countries are about half as volatile as business cycles in emerging or poor countries,
- consumption volatility is higher in poor and emerging countries than in rich countries,
- the trade balance-to-output ratio is more negatively correlated with output the higher is the level of economic development,
- share of government consumption is counter-cyclical in rich countries, but a-cyclical in emerging and poor countries,
- expansions are in average longer in developed countries than in emerging countries,
- contractions are more pronounced in emerging countries than in developed countries.

Authors obtained last two facts from Calderón and Fuentes (2011). Real business cycle model of Kydland and Prescott (1982) was an answer to the Lucas (1976) critique. Mendoza (1991) forms small open economy real business cycle model to study Canadian business cycles. Using the model Uribe and Schmitt-Grohé express theoretical principles explaining the consumption volatility and trade balance cyclicity:

- the more persistent are productivity shocks, the more consumption is volatile and (therefore) the more trade balance is counter-cyclical,
- the more pronounced are capital costs, the less consumption is volatile and (therefore) the more trade balance is pro-cyclical.

Mentioned differences are explained in economic literature. According to Aguiar and Copinath (2007) the high consumption volatility in emerging economies comes from non-stationary productivity shocks. As García-Cicco, Pancrazi and Uribe (2010) showed, in fact agents in emerging and poor countries face to several significant shocks, as interest rate and interest rate spread premium

changes. Exactly these shocks are significant according to the authors, while non-stationary productivity shocks are negligible in poor and emerging countries. Uribe and Yue (2006) show that interest rate and interest spread shocks are significant source of business cycles in poor and emerging countries. The interest rate spread is considered to be partially exogenous and partially endogenous. Access of domestic agents to the international financial market is better (and capital adjustment costs are lower), if the domestic economic policy is credible. Agents may borrow for relatively low interest rate and country interest spread is low. The reason of high economic volatility of the poor and emerging countries is therefore international financial market frictions. The low economic activity of the emerging and poor country and more serious contractions come from the low economic policy credibility.

Realising given facts and theoretical concepts Uribe and Schmitt-Grohé (2015) explain the short-run economic performance of Latin-American countries using dynamic stochastic general equilibrium models with stochastic changes in the total factor productivity, interest rate and interest spread and investment. In result such model can sufficiently explain cyclical properties of given countries. They suggest model expansion by trade shocks.

The question is, if an analyst should use similar methodology in the post-communist countries business cycle analysis. Particularly we focus on the question if it is needed to consider economic policy incredibility (i.e. interest rate and spread shocks) in the analysis. In answer we need to ask, if the post-communistic countries cyclical properties are same as emerging countries cyclical properties are. Is post-communist output and consumption highly volatile? Are the post-communist trade balance-to-output ration and government spending share countercyclical? Are post-communist expansions too short and contractions too pronounced? In answering given questions we may not omit the long-run post-communist macroeconomic performance. Therefore we identify business cycles of chosen post-communist countries and quantify business cycle durations and amplitudes. Then we compute chosen aggregate data cyclical component moments. We will find that post-communist business cycles are longer than in other countries around the world. Post-communist output is not as volatile as in emerging countries around the world. On the other hand consumption is relatively highly volatile and trade balance or current account is relatively strongly countercyclical in post-communist countries. In conclusion we reason that a main post-communist business cycle sources are permanent real shocks. The challenge is to suggest right methodology tools for post-communist European economic analysis.

2. Data and Methodology

In our research we focus on two business cycle characteristics: business cycles identification according to Burns and Mitchell's (1946) definition using peaks and troughs and cyclical properties quantification using Lucas's (1977) definition. By the first approach we compute durations and amplitudes of business cycles. Calderón and Fuentes (2011) suggest this method as appropriate do determine business cycles in emerging countries.

We use eleven European post-communist countries. This choice comes from limited published data. We choose countries for which most of chosen data series are published in the range of years 1995-2013. The studied countries are Bulgaria (BG), Czech Republic (CZ), Estonia (EE), Croatia (HR), Hungary (HU), Latvia (LV), Lithuania (LT), Poland (PL), Romania (RO), Slovakia (SK) and Slovenia (SI). We notice that all analysed countries are members of the European Union. All eleven countries are considered to be emerging according to Uribe and Schmitt-Grohé's (2015) definition. Many authors including Uribe and Schmitt-Grohé (2015) measure the country openness by the international trade-to-output ratio, where international trade is the sum of exports and imports. If average country international trade-to-output ratio is more than 1 in the range of years 1995-2013, country is open. We state that three studied countries – Croatia, Poland and Romania – are closed. Uribe and Schmitt-

Grohé (2015) consider country for small if the population size is less than 20,000 thousands. Poland's and Romania's population sizes are in the range 20,000-50,000 thousands, therefore Poland and Romania are considered to be medium size countries.

To determine business cycles we use quarterly data of GDP in million units of national currency constant prices with reference year 2005 obtained from the Eurostat portal. We determine business cycles using algorithm of Calderon and Fuentes (2011). Letting y_t denote logarithm of real GDP, a peak (trough) take place when $y_t > (<) y_{t+j}$, for $j = -2, -1, 1, 2$. The duration of a cycle is the period of time that goes from one peak to the next. The duration of a contraction (expansion) is the period of time that goes from a peak (trough) to the next trough (peak). The amplitude of a contraction (expansion) is the percentage fall (rise) in output between a peak (trough) and next trough (peak). The results are in the Table 1. Durations are averaged arithmetically and amplitudes are medians. We need to compare results with observations across the world. One possibility is to use Calderon Fuentes' (2011) results as referenced facts about business cycle durations and amplitudes in emerging and developed countries around the world. These results capture two facts mentioned in Introduction. However they use data with different range excluding recent world financial crisis. Therefore we repeated an analysis with OECD quarterly data with range of years 1995-2012. We divide countries in emerging and developed according to Uribe and Schmitt-Grohé's (2015) definition. Developed countries are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Italy, Japan, Netherlands, Norway, Sweden, Switzerland, United Kingdom of the Great Britain and United States of the America. Emerging countries are Argentina, Israel, South Korea, Mexico, New Zealand, Peru, Portugal, South Africa, Spain, Turkey and Uruguay. The results are in the Table 1.

We analyse cyclical properties of aggregate data series using yearly data of GDP, households and non-profit institutions serving households final consumption expenditures, final consumption of general government, gross capital formation, exports and imports of goods and services in million units of national currency constant prices with reference year 2005 and population size in persons. Aggregate data series of nominal current account of the payment balance in million units of national currency is adjusted by the trade balance index volume with reference year 2005. For our analysis we use data sets expressed intensively (per capita), i.e. divided by the population size. Data in range of years 1995-2013 are obtained from the Eurostat portal.

Macroeconomic textbooks as Williamson (2014) or Uribe and Schmitt-Grohé (2015) generally use two concepts for measuring the aggregate data series cyclical properties according to the Lucas' (1977) definition. The first one is to compute the moments of cyclical components; the second one is to compute the moments of growth rates. The cyclical component time series of GDP (output; denoted by letter y), household consumption (c), gross capital formation (i), government consumption (g), exports (x) and imports (m) is expressed as a difference between logs of corresponding intensively expressed observed and trend time series. The cyclical component time series of the trade balance (tb), current account (ca) and the share of government consumption (g/y) are expressed as a difference between corresponding intensively expressed observed and trend time series.

There are several possibilities to express trend of data-series. As Uribe and Schmitt-Grohé (2015) we consider log-quadratic trend and Hodrick and Prescott's (1997) (Hodrick-Prescott) filter. It is important to correctly choose the weights for the Hodrick-Prescott filter. Generally the value of $\lambda = 100$ is used, but Ravn and Uhlig suggested the value $\lambda = 6.25$. We use all three methods of detrending data series.

Using second approach we compute the data series of growth rates of GDP (y), household consumption (c), gross capital formation (i), government consumption (g), exports (x) and imports

(m) as the first difference of logs of intensively expressed corresponding data series. The data series of growth rates the trade balance (tb), current account (ca) and the share of government consumption (g/y) are computed from the data series of the exports and imports difference, current account and government consumption shares on the GDP. Average second moments of data series aggregates weighted by the countries' population sizes, standard error (in percentage), serial correlation and correlation coefficient with the GDP cyclical component are computed in the Tables 2. Each column refers to the different method: log-quadratic trend, Hodrick-Prescott filter $\lambda = 100$, Hodrick-Prescott filter $\lambda = 6.25$ and growth rates. Average international trade balance-on-output ratios are in the last row. We could not compute the current account moments for Romania and Poland, as corresponding data series are not in the period 1995-2013 full.

3. Results and Discussion

Using the methodology of Calderón and Fuentes (2011) and quarterly data in the range of years 1995-2012 we cannot fully confirm their results obtained with wider quarterly data range of years 1970-2007. From the Table 1 it follows that contractions are more pronounced in emerging countries than in developed countries, but, on the contrary, expansions are longer in emerging countries than in developed countries. Different results come from our post-communist business cycle analysis using quarterly Eurostat data in the range of years 1995-2013. We can see that both expansions and contractions are longer and more pronounced in post-communist countries than in both emerging and developed countries. Moreover, comparing amplitude-to-duration ratios post-communist contractions are more pronounced than post-communist expansions and they are more pronounced than contractions in developed and other emerging countries. It is needed to notice that studied data range is short. Using limited data we cannot confirm Calderón and Fuentes's results. The limited official post-communist data availability comes from the fact that these countries transformed their economic system just 25 years ago. It is natural to assume that the business cycle characteristics changed with the change of the system. Countries and agents are now more unclosed to the international goods and services and financial markets. Trade shocks, which have characteristic effect on short-term economic performance, are more pronounced now.

Table 1: Durations and amplitudes of contractions and expansions in the three country groups

country groups	durations		amplitudes	
	contraction	expansion	contraction	expansion
developed	4.2	14.3	3.4	7.5
emerging	4.8	16.3	4.4	19.4
post-communist	5.0	25.6	8.4	30.4

Source: authors' computations

The average cyclical component moments in 11 post-communist countries in the Tables 2 confirm some Uribe and Schmitt-Grohé's (2015) business cycles' facts around the world:

- exports and imports are more volatile than output,
- in average, household consumption, gross capital formation, exports and imports are positively correlated with output,
- trade balance is negatively correlated with output,
- the components of aggregate supply (output and imports) and aggregate demand (household and government consumption, gross capital formation and exports) are positively serial correlated.

Table 2: Average second moments of data series aggregates weighted by the countries' population sizes

standard deviations	log-quadratic	HP, $\lambda = 100$	HP, $\lambda = 6.25$	growth rates
σ_y	5.92	5.62	3.88	6.67
σ_c/σ_y	0.94	0.95	0.85	0.95
σ_g/σ_y	0.98	0.92	0.97	0.97
σ_i/σ_y	3.50	3.59	4.33	4.01
σ_x/σ_y	1.54	1.66	2.38	2.35
σ_m/σ_y	2.25	2.45	3.08	3.08
σ_{tb}/y	2.86	2.67	1.67	2.66
σ_{ca}/y	-	-	-	-
correlation with y	log-quadratic	HP, $\lambda = 100$	HP, $\lambda = 6.25$	growth rates
c	0.75	0.75	0.68	0.69
i	0.69	0.70	0.73	0.70
x	0.33	0.38	0.50	0.49
m	0.60	0.63	0.67	0.66
tb	-0.53	-0.56	-0.50	-0.24
ca	-	-	-	-
gy	-0.46	-0.52	-0.61	-0.16
serial correlations	log-quadratic	HP, $\lambda = 100$	HP, $\lambda = 6.25$	growth rates
y	0.51	0.46	0.17	0.27
c	0.70	0.66	0.25	0.48
g	0.48	0.44	0.06	0.07
i	0.50	0.48	0.17	0.21
x	0.29	0.27	-0.09	-0.13
m	0.42	0.41	0.07	0.09
tb	0.53	0.52	0.23	0.53
ca	-	-	-	-
average	log-quadratic	HP, $\lambda = 100$	HP, $\lambda = 6.25$	growth rates
$(x+m)/y$	93.07	93.07	93.07	93.07

Source: authors' computations.

In the Table 3 is a comparison of average moments of cyclical components using log-quadratic trend of 11 post-communist, emerging and developed countries (i.e. the first column of the Table 2). Results for poor emerging and developed countries are obtained from Uribe and Schmitt-Grohé (2015), who used data in the range of years 1965-2010 and the same methodology.

Table 3: Cyclical properties of the post-communist, poor, emerging and developed countries

standard deviations	Countries			
	post-communist	poor	emerging	developed
σ_y	5.92	6.08	8.71	3.32
σ_c/σ_y	0.94	1.12	0.98	0.87
σ_g/σ_y	0.98	2.46	2.00	1.73
σ_i/σ_y	3.50	3.24	2.79	3.20
σ_x/σ_y	1.54	3.08	2.82	3.36
σ_m/σ_y	2.25	3.30	2.72	3.64
σ_{tb}/y	2.86	2.12	3.80	1.25
σ_{ca}/y	-	2.06	3.08	1.39
correlations with y	post-communist	poor	emerging	developed
c	0.75	0.66	0.75	0.76
i	0.69	0.60	0.77	0.77
x	0.33	0.14	0.35	0.17
m	0.60	0.14	0.50	0.34
tb	-0.53	-0.11	-0.21	-0.26
ca	-	-0.28	-0.24	-0.30
gy	-0.46	0.08	-0.08	-0.39
serial correlations	post-communist	poor	emerging	developed
y	0.51	0.65	0.87	0.76
c	0.70	0.62	0.74	0.75
g	0.48	0.71	0.80	0.89
i	0.50	0.49	0.72	0.67
x	0.29	0.65	0.74	0.74
m	0.42	0.61	0.74	0.69
tb	0.53	0.59	0.62	0.69
ca	-	0.55	0.52	0.71
average	post-communist	poor	emerging	developed
$(x+m)/y$	93.07	32.50	46.40	40.40

Source: Uribe and Schmitt-Grohé (2015) and authors' computations

It follows from the Table 3 that in 11 post-communist countries in the period 1995-2013 the output was less volatile than in emerging countries in period 1965-2010. Notice that this period captures a period 1982-2008 denoted by many authors (i.e. Williamson, 2014) as "Great Moderation", because the U.S. output was less volatile in this period. The post-communist trade balance is relatively strongly counter-cyclical contradicting the fact from the Introduction that trade balance-to-output ratio is more negatively correlated with output the higher is the level of economic development. Post-communist countries are similar to the other emerging countries comparing the volatility of consumption.

For better detailed view we should divide emerging countries according to the population size. We already have said that using Uribe and Schmitt-Grohé's (2015) definition Poland and Romania are medium size countries. In the Table 4 are computed weighted averages of moments of cyclical components in small countries considering 9 small post-communist countries in the period 1995-2013. Results for poor, emerging and developed countries are obtained from Uribe and Schmitt-Grohé (2015), who used data in the range of years 1965-2010 and the same methodology.

Table 4: Cyclical properties of the small countries

standard deviations	Small countries			
	post-communist	poor	emerging	developed
σ_y	4.80	8.17	9.50	4.31
σ_c/σ_y	1.09	1.39	0.97	0.92
σ_g/σ_y	0.91	2.92	1.85	1.66
σ_i/σ_y	2.83	4.68	2.97	3.07
σ_x/σ_y	1.47	2.81	2.23	2.23
σ_m/σ_y	1.66	2.96	2.25	2.36
σ_{tb}/y	2.72	5.62	4.00	2.29
σ_{ca}/y	10.47	4.84	3.55	2.37
correlation with y	post-communist	poor	emerging	developed
c	0.92	0.58	0.73	0.55
i	0.80	0.45	0.72	0.63
x	0.53	0.53	0.53	0.58
m	0.67	0.53	0.62	0.63
tb	-0.42	-0.04	-0.21	-0.11
ca	-0.31	-0.17	-0.20	-0.11
gy	-0.46	0.02	0.03	-0.26
serial correlations	post-communist	poor	emerging	developed
y	0.69	0.76	0.89	0.83
c	0.70	0.61	0.70	0.73
g	0.51	0.61	0.78	0.87
i	0.32	0.62	0.67	0.71
x	0.31	0.58	0.74	0.68
m	0.31	0.68	0.71	0.66
tb	0.42	0.50	0.52	0.67
ca	0.13	0.36	0.40	0.56
average	post-communist	poor	emerging	developed
$(x+m)/y$	121.6	57.70	69.20	116.80

Source: Uribe and Schmitt-Grohé (2015) and authors' computations

The results of the analysis are similar: output volatility is in post-communist in the range of years 1995-2013 less than in poor and emerging countries in the range of years 1965-2010. Government share on GDP is similar volatile in post-communist countries (1995-2013) as in developed countries (1965-2010). Consumption is highly volatile and trade balance or current account is relatively stronger counter-cyclical in post-communist countries (1995-2013).

Average moments of the data series cyclical components in the Tables 3 and 4 are obtained using the log-quadratic trend. The same facts as these stated in the Conclusion come from comparison of the average moments computed using other three approaches mentioned in the second section.

4. Conclusion

Even if we consider eleven post-communist countries to be emerging, their business cycle characteristics differ from the business cycle characteristics of emerging countries around the world:

- post-communist expansions and recessions last longer,
- post-communist recession are more pronounced,
- post-communist output is relatively low volatile,
- post-communist household consumption is relatively highly volatile,
- government share on GDP is countercyclical in the post-communist countries,
- trade balance (current account) are relatively strongly counter-cyclical in the post-communist countries.

Certainly, a deeper analysis is needed to explain these facts. But, with the help of other studies, we can express some indications from this “first look at the data”.

We noticed in the Introduction that we may not omit long-run development of the post-communist countries. Szomolányi, Lukáčiková and Lukáčik (2011) showed that post-communist countries has been in transition state in the period of years 1997-2009 and they have been converging to higher by GDP per capita expressed steady state. The steady state is similar for European Union countries.¹ In other word, post-communist European Union members may be as rich as Germany in decades. From the Neoclassical growth theory it follows that the fact that the post-communistic countries has been in transition state implies that that a steady state of the post-communistic countries have had changed (risen) dramatically. This change comes from the events as economic system transformation, opening to the international markets, price liberalisation, privatisation, tax reformation, law system transformation and so on. All these events have been present in all post-communist country during the study period in some way. Moreover they were currency transformation in many countries. As it is clear from the Neoclassical growth theory, events causing change in the steady state are mostly caused by permanent real shocks. Actually the mentioned facts have the character of the permanent real shocks. This can explain why post-communist business cycles last longer (see Table 1). It follows from the real business cycle principles in the Introduction that higher consumption volatility and trade balance (current account) counter-cyclicality occur if permanent real shocks occur.

While García-Cicco, Pancrazi and Uribe (2010), Uribe and Yue (2006) and Uribe and Schmitt-Grohé (2015) state that business cycles of emerging countries are driven by interest and interest spread shocks we suggest that business cycles of European post-communist countries are driven by permanent (non-stationary) real shocks in the manner of Aguiar and Gopinath (2007). In fact Szomolányi, Lukáčik and Lukáčiková (2014a) and Szomolányi, Lukáčik and Lukáčiková (2014b) realised similar VAR model as Uribe and Yue using Slovak and Czech data. They show that interest rate and interest spread shocks have very small impact on the Slovak and Czech Business Cycles. On the contrary, authors show that more than 90 % of business cycles may be explained by the supply shocks in both economies. We should consider trade shocks in small open economies as well.

Financial frictions are significant factor for short- and medium-run economic performance of emerging and poor countries around the world. Lowering credibility of domestic economic policy increases country interest spread. Low output is one of consequences of the lower policy credibility. Limited possibilities of agents to borrow cause cumulative output fall. Interest rate and interest spread shocks cause high domestic output volatility. Therefore output volatility is higher in the emerging and poor countries around the world than in the post-communist countries.

Should an analyst use the Aguiar and Gopinath’s (2007) model for post-communist business cycle analysis? No, because post-communist data series are too short. As García-Cicco, Pancrazi and Uribe (2010) state, long data series are needed to study an effect of non-stationary shocks. Analyst should consider the facts about post-communist convergence process when using real business cycle model or dynamic stochastic general equilibrium model. These models mostly use log-linear approximation around the steady state point. However the post-communist countries have not been in steady state for years. Such approximation may not be right. We suggest a methodology where analyst may estimate short-run as well as medium-run (or long-run) economic performance of post-communist countries in simultaneously in one step. It seems that co-integration models fulfil this request. The challenge is to form correct co-integration specifications coming out from correct theory and to use correct estimators.

¹ Croatia was not the European Union member in the time of the paper preparation. Hungary converges to statistically significantly lower steady state as other European Union members.

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Sub-Conscious Responses to Fear Appeal Health Warnings: An Exploratory Study and Suggestions for Future Research

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Extended Abstract

Introduction

The harmful impact of smoking has been well-documented. For instance, in 2000 it was estimated that the smoking of tobacco was responsible for a large portion of premature mortality, causing about 4.8 million adult deaths worldwide. This figure is expected to increase to about 10 million by 2025 and to 7 million in developing countries alone by 2030. In countries such as China, India, and South Africa there is evidence that chronic respiratory diseases account for a larger proportion of deaths than in developed countries and tuberculosis deaths (largely eradicated in developed countries) accounts for a significant number of deaths.

Unfortunately many people still grossly underestimate the health risks associated with tobacco use. Quitting smoking can substantially reduce these risks. Research has shown that initiatives to assist smokers and potential smokers to make healthy lifestyle choices should be part of a comprehensive tobacco control programme.

Although advertising campaigns have been conducted internationally to point out the dangers of smoking, their effectiveness have been questioned. One possible reason could be that their impact on consumers' emotional and subconscious responses has never been properly assessed. This 'oversight' may be an important limitation as there is a considerable amount of evidence that suggest that consumers often make decisions at the subconscious level rather than at a cognitive level (Zaltman, 2003, 9). In other words, consumer behavior are often driven by unconscious thought and feelings rather than by conscious ones (although the latter are obviously also important).

Objectives

The primary objective of the proposed study is to explore smokers' subconscious and emotional responses to an advertising campaign whose purpose it is to modify the behavior of smokers of tobacco. More specifically, the purpose of the study is to investigate different components or elements (picture vs text-based) of a campaign to which smokers are more likely to react at the subconscious level. If it is possible to identifying certain themes or components of an advertising campaign or advertisement that are more likely to facilitate the desired behavior modification, it will be possible to better target anti-smoking campaigns and in this way make them more effective. For this purpose a neuro-physiological data collection approach was used.

Methodology

Sample

The data were collected over a three month period. The sample size was 90 consumers in the age category 25 to 50 years. The sample size compares favorably with others in similar studies. The gender split was exactly 50%. Unfortunately smokers were under-represented. Only 21 of the participants were smokers at the time of the data collection.

Neuro-physiology measurement measurement

Electroencephalography (EEG)

In this study frontal symmetry was measured by means of EEG and specialized procedures and algorithms were used to control individual differences in the baseline cortical activation, as well as to clean the raw EEG signal from the external noise. The EEG measurement made use of 32 electrodes on each subject's scalp according to the 10-20 electrode placement system.

Galvanic skin response (GSR)

Galvanic skin response refers to a change in the electrical conductance of the skin, which is influenced by its moisture level. Electrical activity is produced by the eccrine (sweat) glands which are regulated by the autonomic nervous subsystems. Variations in galvanic skin conductance are the result of physiochemical changes and therefore they are an indication of emotional arousal.

Electromyography (EMG)

Registration of facial micro-expressions can be directly connected with emotional states. Electromyography (EMG) measures minute changes in the electrical activity of muscles, which reflects small, often unobservable muscle movements. Facial electromyography (EMG) measures conscious and subconscious muscle movement in the face, and can be interpreted as an expression of emotions.

Empirical results

The results of this exploratory study seem to suggest that males and females respond differently to both the graphics and the text of fear appeal-type marketing communication. This result will have to be explored with more definitive research in the future.

Unfortunately too few smokers participated in the study to draw firm conclusions but it does appear as if the contrasts between smokers and non-smokers in their sub-conscious responses to both the graphics and the text of fear appeal-type marketing communication, is particularly stark. This tentative result offers exciting opportunities for future research

References are available from the first author.

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Customer Engagement Myopia or Is It More Appropriate To State the Myopia of Customer Engagement?

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Extended Abstract

Should we think about customer engagement in the same way we have when the environment in which it takes place has changed? This question originated from the fact that the marketing landscape has changed to an environment where connectivity and information sharing creates a '*collaborative world*' (Hanna, Rohm & Crittenden, 2012). The Internet has become the preferred means of communication and consumption of information, where a '*dominant social networking culture*' (Parent, Plangger & Bal, 2011) exist. Instinctively the answer to the question above is no, but how do we then need to think about customer engagement?

Firat and Dholakia (2006) noted that we live in a world with conditions that require transformation and a paradigm shift. Organisations need to construct networks as a requirement enabling human beings to create meaningful experiences and communication. Marketing needs to instead of satisfying the customer shift the emphasis to empower and enable them to construct meaning and create their own experiences. Individuals turn to social networking sites to learn from their peers and this has challenged marketing beyond its traditional perspectives. The need to effectively engage customers has become a prominent area of research for marketing.

Engagement, customer engagement and value

In 2006-2008, '*engagement*' was identified by the Marketing Science Institute (MSI) as priority research; this is the impetus for scholarly research as it also reflects what industry deems important. Later Brodie, Hollebeek, Juric and Illic (2011) noted a significant interest from both scholars and practitioners in the concept '*customer engagement*'. Concurrently, MSI identified this concept as a research priority in 2010-2012. More recently, 2014-2016 the concept was again identified as a research priority. The concept '*customer brand engagement*' has been conceptualized, operationalized and studied by Hollebeek, Glynn and Brodie (2014). Traction exists around the concept '*customer engagement*' and this might be because as noted by So, King, Sparks and Wang (2014) is regarded a concept with superior predictability of loyalty. Kumar (2015:4) noted, it is one of the triggers for an integrative approach, where marketing take an integral part in the organizations' decision-making.

Consumers, through conversations, create value and become active co-creators in marketing-related activities (Berthon, Pitt, McCarthy & Kates, 2007). Value is created by the market within a collaborative environment. Consumers are part of a connected consumer marketplace and insight into these connections might provide valuable understanding in terms of relationships which results in a social network (Hanna *et al.*, 2011). These consumers are actively participating in social networking sites through activities such as creating, modifying, liking, sharing and commenting on content. Members of communities turn to peers and interact through conversation, which is according to Parent *et al.*, (2011) is the '*ultimate expression of engagement*'. The traditional pushed-

based marketing forced onto consumers by organizations is being replaced by personal and authentic conversations (Parent *et al.*, 2011). These conversations that are taking place in social networking environments and content is shared. Currently many of these conversations are taking place in this digital space and therefore, in an era of the digitization of information and the connectivity of individuals, where network-driven firms (Watson, Pitt, Berthon & Zinkhan, 2002) create an 'always' interactive and connected environment, studying a concept such as customer engagement should take this environment into account. Social interaction requires a level of engagement in social media. Parent *et al.* (2011) developed a model of social media engagement that consists of six distinct, but interrelated components and they are 'company and content, control, community, customers and conversations'. Marketing is a tool to enable consumers to experience reality through communities (Firat & Dholakia, 2006). The social nature of the web requires marketing to develop more of a collaborative rather than a managerial role where it facilitates and coordinates efforts of community members (Firat & Dholakia, 2006), emphasizing that a postmodern marketing approach might be more appropriate in studying this concept.

Paradigm for studying customer engagement

Post-modern marketing emphasizes because experience as more important than the actual value of a physical product (Firat & Dholakia, 2006). Experience as a concept is rooted in the services dominant logic literature (Vargo & Lusch, 2008) where this approach to marketing questions and elaborates on the notion of value and meaning that is created in a service exchange. This implies that value creation is an interactive process which is relevant in studying customer engagement as noted earlier. Therefore when studying customer engagement So, King and Sparks (2014) noted that various views exist regarding this concept however there seems to be an agreement that it is a multidimensional construct. Some researchers consider it to be a behavioral construct being the result of a variety of motivational drivers (van Doorn *et al.*, 2010: 253-266; Verhoef, Reinartz & Krafft, 2010: 247-252), whilst others suggest that it includes both the psychological and behavioral aspects (Brodie *et al.*, 2011: 252-271).

A number of measures have been developed and one such measure is the work of Schaufeli, Salanova, Gonzales-Roma and Bakker (2002) that originated from psychology and more specifically from a field of study titled 'work engagement'. These researchers focused on incorporating positive psychology ultimately studying happy, fulfilled employees as one that is more engaged in their work. Another measure was the work of So, King and Sparks (2014) that incorporated the interactive process of a personal connection to a brand. The focus is on building relationships where customers are connected to the brand. Yet another and more recent is the work of Hollebeek, Glynn and Brodie (2014) that conceptualized, operationalized and validated a scale for customer brand engagement.

Each of these measures have been included in the research projects currently in progress. Methodologically these projects follow a typical descriptive research design. The target population is active users of various social networking platforms and data is collected by using a self-administered questionnaire. The aim is ultimately to reflect and critical view these projects to better understand customer engagement. A number of goals have been identified for these various projects. Firstly, to explore the various measures of customer engagement as a multidimensional construct, within a social networking context. Secondly to determine how these instruments perform within the social networking sites context. Thirdly, to better understand the concept customer engagement in relation to related constructs and lastly, to reflect on if there are more effective ways to investigate, measure and understand this concept.

Effectively engaging customers will benefit organizations, specifically by generating financial returns and contribute to brand equity. Of essence though is that marketing needs to understand its role in terms of collaboration and communication to benefit the customer. From an academic perspective the conceptual foundations, operationalization and measurement of this concept is one aspect of

understanding this concept but interpreting all relevant and related constructs that may provide more insight might also be of value. Furthermore, the paradigm from which we study this concept will also play a role in how we choose to study this concept and therefore determine what methodology might be most appropriate. In answering the initial question this abstract started with, instinctively, it seems as though aspects such as actual behavior, emotional elements as well as cognitive elements should be included in creating a more holistic view of this concept.

Keywords

Engagement, customer engagement, customer brand engagement, postmodern marketing, social networking sites

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Learning in Corporate Development Activities: From Alliance Experience to Acquisition Performance

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Abstract

Transfer of organizational learning in a multi-task setting has largely remained underexplored at the organizational level, although firms simultaneously engage in various types of tasks. With this study, we integrate findings from two parallel research streams of corporate development activities: strategic alliances and acquisitions. This study uses organizational learning theory and examines whether frequency and relatedness of different dimensions of prior alliances relate to an acquirer's superior acquisition performance. Results analyzed from a sample of cross-border alliance and acquisition completed between 1991-2012 generally support the theory that relational exchange determines acquiring firms' post alliance acquisition behavior and that organizational routines and learning from prior alliances influence a future acquirer's financial performance.

Keywords

Organizational learning, alliance, merger & acquisition



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