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A case review of Xpanxion: a software quality assurance startup

Long-term relationships between consumer and socially responsible company: the effect of consumer's support for CSR

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Failure to Deliver: A Team in Crisis

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Abstract

The case resolves around a situation of conflict between the team members. The company in question Focus is a professional consulting firm located in Gaborone, Botswana. Focus provides consulting services in the areas of Auditing, Finance, Taxation and organization transformation. Thomas is recruited as the Director of the newly developed Business Consultancy unit. He has been assigned the task of recruiting and hiring his team of employees. He recruits three women from different functional expertise within the area of management. The team does not make any headway as team members are always sparring. Thomas wonders as how to resolve this issue.

Keywords: teams, conflicts, diversity, cultural differences, role identities.

Introduction

There was silence in the oval conference room in the office of consultancy firm, Focus. It was ten in the morning on 12th January 2000. Thomas stared at his team member, Tanu from across the glass topped conference table. He was furious, frustrated and completely exhausted. He did not know how to proceed further...he could not tell the client that they had not yet finished writing the report. They were behind schedule. He sighed, shook his head, and dug his fingers into his hair reflecting in dismay – “What had gone wrong? Why was he in such a mess?”

Flashback

History of focus

Focus was established in 1976, in Gaborone, Botswana by Mr. Lal, a Botswana citizen of Indian origin. Focus started as a firm of Chartered Accountants (Certified Public Accountants) and primarily provided accounting and auditing services to its clients. In the beginning the firm was a small sole proprietorship where the owner, Mr. Lal, multitasked as cleaner, manager, and receptionist. In 1980, Mr. Lal sold the fledging firm to Raj, an expatriate from India. Raj was young, entrepreneurial, ambitious, creative, and imaginative. Focus for him was a beginning to fulfill and nurture his ambition.

Botswana in the 1980s was an economically struggling nation. Its labor was not skilled or educated and the country was still primarily dependent on its diamond resources. All the businesses within the country were controlled by Botswana Government. This was a huge detriment to foreign companies including multinationals who saw the country having great economic potential, but “unfriendly economic policies” (Bank of Botswana, 1999). Stringent licensing requirements, tough and selective recruitment, and investment options made foreign companies turn to other African countries (Bank of Botswana Report, 1999).

But in 1991 the country, with a new government in power, reacted to this lack of financial investment, by committing itself to creating an attractive climate for foreign investment. The country abolished all foreign exchange controls, instituted corporate tax rates, expatriated processing of business ventures, and adopted a policy of complete transparency in all its dealings. The Ministry of Trade and Industry took measures to work and, expedite the issuance of work and residence licenses. The Registrar of Companies in turn worked hard to reduce company registration turnaround time from a period of 12 weeks to 10 working days. The government further provided assistance to investors through investment incentive schemes in the form of grants and tax relief.

The government changed its policy on recruitment of expatriates/foreigners in local companies in Botswana. A local company could now hire an expatriate provided the expatriate was qualified, skilled, and experienced. Companies were allowed to recruit expatriates on a contractual basis with a stipulation that during their term of employment they would train a native Batswana (local of Botswana) to take over their position upon expiration of their contracts (Bank of Botswana, 1999). This would ensure the country to eventually become self sufficient in all sectors.

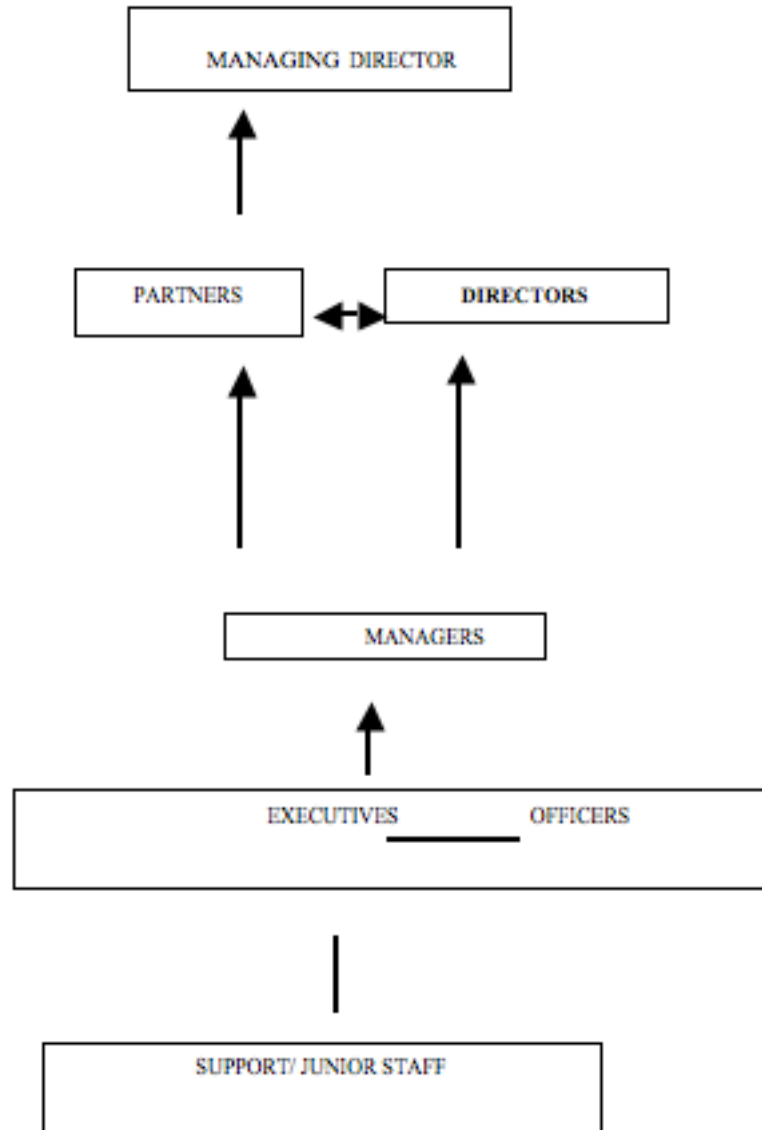
Raj turned the company's fortune around. The company gradually expanded into a professional consulting firm. Focus began to compete with local companies in the areas of accounting, taxation, finance, business consultancy, and auditing. In 1996, the firm joined hands with a leading Fortune Five multinational acquiring the support and backing of a global big five company. Focus was now able to effectively compete with local affiliates of multinationals such as Price Waterhouse and Coopers, Deloitte & Touche. Simultaneously it managed to win big infrastructural projects including those of the Labor Ministry, and the Botswana National Productivity Center. By 1998, Focus had a total of 130 employees consisting of both expatriates and local employees. Built on the lines of a minimal hierarchy, Focus was a multi-dimensional consultancy firm with eight departments primarily in the areas of Audit, Taxation, Accounting, IT, HRD, and Corporate services. It revolved around the concepts of teamwork, open communication, continuous employee training and learning, knowledge management, and employee participation.

Accordingly, its organizational structure followed the concept of individual department short-term goal achievement, and integration with overall organizational strategic mission and vision. Focus aimed to be the premier consultancy firm in Botswana, concentrating namely on citizen empowerment and continuous learning, which meant a constant concerted effort on people training to develop into skilled professionals at an individual and group level. The three-tiered structure at Focus consisted of the top management which constituted the board. This board included the Managing Director and the Departmental Directors. Each department had an individual structure with managers who reported to their directors. These departmental managers were assisted by Executives and Officers. Below this level was the general front line management level of junior support administrative staff (Figure 1).

Each department organized itself into teams. These teams could be intra or inter departmental in nature cutting across formal departmental lines to render best possible consultancy service to the client. Thus, a team could have members of various departments who worked together for the achievement of a project target. Focus strategic mission believed in the concept of learning organization, thus investing in its employees to grow and adapt to dynamic market changes.

True to its strategic vision of citizen empowerment, Focus made a conscious and visible effort to recruit people of different racial, culture, and professional backgrounds including gender.

FIGURE 1 ORGANIZATIONAL STRUCTURE OF FOCUS



The HR team

Thomas, 40, had joined Focus in 1995 as a contractual expatriate from Kerala, India. He had 15 years of consulting experience in various financial companies in India. Thomas possessed an MBA degree with additional certificate courses in Human Resources Management, Change Management, and Organizational Development. Thomas believed that his interdisciplinary background was the reason for him being selected as the Director of Business Consultancy department at Focus.

Thomas's chief responsibilities were to develop the Business Consultancy department, and recruit his consultancy team to initiate the internal organizational and HR policies and procedures at Focus, and also work on recent Organization Development (OD) consultancy projects obtained by the firm. Thomas, strongly believing in his ideology of

interdisciplinary backgrounds, decided to put together a consultancy team of young people possessing a variety of functional expertise, experience, skills, and backgrounds. He believed in the concepts of teamwork, open communication, and collaboration to achieve a target. Thomas felt that a diverse team consisting of different ethnicities, professional backgrounds, and skills would cover all the limitations which could exist within a team such as power struggles, miscommunication, and distrust. It would also ensure pooling in of numerous perspectives, perceptions, and concepts to effectively understand and work on the consultancy projects received by Focus. Further, he held that a diverse departmental team would be able to effectively work with other departmental teams and create an atmosphere of open trust. Thomas felt that this diversity would develop team members to broaden their intellectual horizons, dialogue and people skills thereby increasing collaboration, and ultimately accentuate project completion rates.

He held that team roles and responsibilities should be kept flexible to ensure open dialogue, constant diverse feedback, creative solutions, and an environment of common purpose-building. Thus, Thomas held that a diverse flexible team would be the apt choice to ensure speedy completion of all HR and OD projects.

Keeping in mind the limited budget and time constraints, Thomas decided it was best to hire a small team from a pool of applicants residing in Gaborone itself. He placed advertisements in local newspapers and used word of mouth recruiting strategies. He selected from his pool of potential applicants a team of three women.

The consultancy team

Thomas first recruited Wambere Selesto, a 25 year old local from Botswana educated in Kenya. Wambere was a marketing professional who was highly proficient in information technology systems and programs. She had three years of professional experience as a marketing executive for a private banking firm in Kenya. Thomas felt that Wambere's knowledge of marketing strategies, financial and banking services, and IT expertise coupled with exposure to Kenyan culture would prove advantageous on consultancy projects. Wambere had never worked in Botswana prior to joining Focus. She did speak the native language of Botswana, but was unfamiliar with the cultural and management practices of the country. Her banking experience in Kenya had left her unprepared to work in flexible situations. Wambere was akin to working alone under the direct authority of a superior. She was unfamiliar with the principle and practice of collaboration, teamwork, and sharing of power, and responsibility. Thomas believed that her naturally aggressive nature coupled with a go-getter extroverted outlook would ensure maximum networking and building of a strong client base at the local, regional, national, international level.

Thomas next selected, Sarah Boswell, who was a 30 year-old business major. Sarah was originally from Canada whose family had migrated to Botswana in the 1980s during the foreign investment boom. Sarah was well versed with Botswana's culture, policies, and local organizational functioning. Sarah was fluent in French, Chinese, English, and local language of Setswana. Her flair for languages, people, and ability to establish contacts and networks made her a valuable asset to the company. Thomas believed that Sarah's people skills would act as a tremendous advantage during field research. Thomas also held that Sarah's communication abilities would enable effective cross-cultural team functioning. Though settled in Botswana for many years, Sarah had never had the opportunity to work in a multi-dimensional diverse consultancy firm. She lived in the

“expatriate” part of the city, and though armed with a “bookish” knowledge about Botswana, its culture, policies, and language, Sarah lacked the needed experience. She did not believe in sharing the limelight or responsibility with anyone on the job, and was in favour of individualism and opportunism- *‘each for his/her own’* was her mantra.

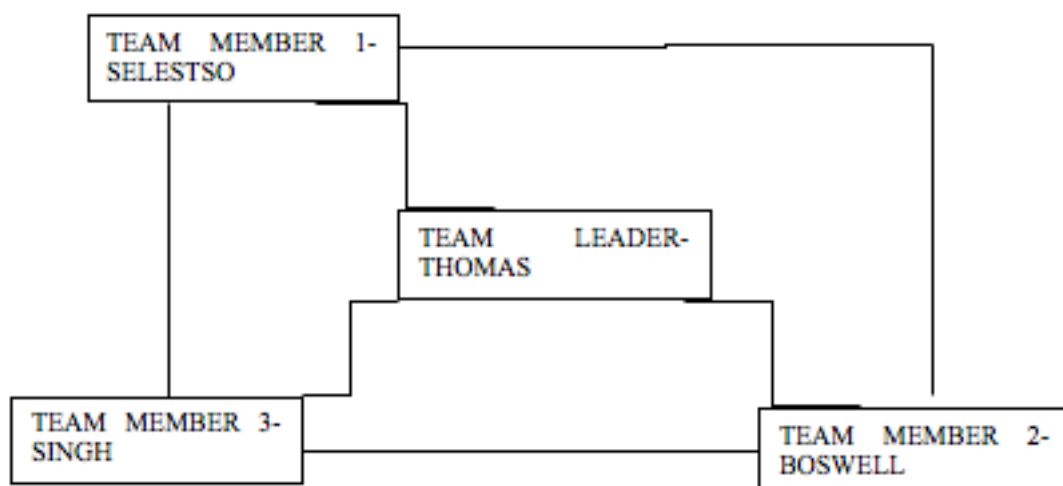
Thomas’s final choice was Tanu Singh, a 23 year-old HR professional. Tanu was an Indian, who had recently completed her master’s in HR from UK and joined her family in Botswana. She had no prior experience, but was fresh, young and eager to learn and prove her mettle. Tanu had no idea about Botswana, its culture, and practices. Thomas believed that her extensive subjective knowledge would assist him internally developing Focus’s HR policies and externally on various consultancy projects. Tanu believed in teamwork and flexibility, so long as it did not obstruct personal job security. She lacked adequate communication skills and came across as aloof.

Despite these troublesome points, Thomas felt satisfied with his choice of the three team members. Wambere, Sarah, Tanu, and he could achieve every target within the time limit. He was confident that their cross functional backgrounds, expertise, and skills would yield fast, creative solutions, and suggestions to various HR projects.

Team Functions and Responsibilities

The HR team was a lateral team characterized by all-channel chain of command, horizontal division of labor, and two-way communication.

FIGURE 2 STRUCTURE OF HR TEAM



Thomas reasoned that since all three team members had equal status, position, and authority in the team, there was minimal need for formal job description. Hence, all three team members did not have formal job descriptions, and were simply known as 'HR executives' who handled all internal and external HR tasks and projects. Duties and functions were divided amongst the team members according to the task structure, and required expertise. Thomas emphasized that a lack of formal job descriptions indicated job rotation, flexibility, autonomy, task variety and identification, and an opportunity to develop and expand the scope of acquired skills and knowledge. But, for the purpose of remuneration and performance appraisals, team members were assigned the following general HR functions:

- a) Team Leader & Facilitator- Thomas
 - (i) In-charge of all internal HR functions
 - (ii) In-charge of external HR projects

The team leader had discretion about quantity and quality of tasks to assign to any individual team member at any time during an external HR project.

- a) Team Member 1-- Wambere Seletso
 - (i) In-charge of all HR IT tasks
 - (ii) Contribute to performance appraisals, training, and internal HR functions
- b) Team Member 2- Sarah Boswell
 - (i) In-charge of HR project data collection
 - (ii) Contribute to performance appraisals, training, and internal HR functions
- c) Team Member 3- Tanu Singh
 - (i) In-charge of HR report-writing
 - (ii) Contribute to performance appraisals, training, and internal HR functions

Thomas and his team were faced with numerous responsibilities which ranged from:

- (i) Development of HR Staff Manual: the team was required to design and write the firm's employment manual. Sarah was assigned the task of data collection and analysis. Wambere and Tanu were allocated the tasks of compiling the data, writing, and editing the manual.
- (ii) Development of Employee Newsletter: the newsletter was undertaken to boost employee motivation and increase interpersonal communications, relationships, friendships, and social networks within the firm. Wambere being an African, local Botswana native was given the responsibility of eliciting participation, support, and contribution amongst the employees. Sarah was handed the task of conducting interviews and incorporating personal anecdotes and insights from employees. Tanu was assigned the role of compiler and editor. The newsletter was to be a regular monthly publication.
- (iii) Development of Training Manual: the team was also given the responsibility to put together a training manual and program for all new recruits, i.e., an orientation program. The task included:
 - designing the orientation program which required external benchmarking, extensive research on training strategies, and internal review of the firm's organizational and professional cultures.

Here again, the team's diversity in terms of their expertise, skills and background proved to be advantageous. Wambere and Sarah were asked to conduct internal analysis of organizational culture and determinants of the working climate, the employees' profiles, goals, and objectives of the company's executive team. Tanu was assigned the role of researcher. She was expected to conduct research on training strategies, and benchmark effective strategies used by other companies. Thomas would, based on the input received from his team members, design a concise and suitable orientation program to train and introduce new members of the expectations and requirements of their employer.
- (iv) Development of Performance Appraisal Systems: the team was required to work together to develop a performance system for the organization.
- (v) Development of Complaint system: the team was assigned the duty of charting a definite and formal method of complaint. This included sexual harassment, gender discrimination, disability, and general absence complaints.

- (vi) External Consulting Functions: the firm had received external consulting projects in the areas of change management, HRM, and organization development. Also the team was given the responsibility to scout and scan the market to acquire further organizational consulting projects. The team had to undertake (a) market research to find out which public and private companies were undergoing organizational changes and required HR consultancy; (b) bidding for these external HR projects; (c) conducting preliminary primary and secondary research; (d) compiling the "Preliminary Finding Report" to present to the concerned company; (e) developing a final report and (f) making suggestions and developing a suitable model of organizational change. Each team member was assigned to different tasks for different projects as seen as fit by the HR Director.

The problem begins

The team had started with a bang, completing the employee staff manual and magazine quickly. But problems soon started cropping up in the form of disagreements and arguments. All the team members seemed to have different perceptions and mental models on situations and concepts.

Team clashes: incident one

The first signs of dissent were noticed during the final stages of an OD consultancy project on the National Productivity Center (NPC). The consultancy team with Thomas in charge had been entrusted with diagnosing the reasons for organizational inefficiency at the government power institution (NPC). The team members had all been actively involved in all areas of empirical fieldwork at the company site, conducted interviews, compiled, and analyzed the data and prepared the final report for submission. Thomas was pleased with the report in terms of its quality and quantity.

The report was well received by the executive committee of NPC. After a detailed review the committee, wanted a few clarifications to be answered, which required a revisit of the empirical site. Thomas, in his next task force meeting had declared that since only minor clarifications needed to be resolved, Tanu alone could attend to it, then modify the report accordingly and accompany him for the question and answer session with the NPC committee. The remaining two members could in the meantime look into some pending issues within the company itself.

Tanu and I can handle this. Wambere can assist the audit department with their data analysis software and upcoming presentation. Sarah can finalize the training report. Remember even these internal matters have to be cleared up. (Thomas)

This decision had been vehemently opposed by the two members, Wambere and Sarah:

I am the senior most member of the team. I am also a local, native Batswana. I should be given the task of giving this first consultancy project its final touches. (Wambere)

I don't think it is that difficult, also clarifications needed are in the HR field...Tanu is more knowledgeable on that subject....she can do it alone. (Thomas)

But why should Tanu suddenly take over the entire project after we did all the work together, why should she enjoy the credit and limelight on the final day of approval? (Wambere)

I would like to be on this project right till the end... (Sarah)

My decision is final, we have other issues to give our attentionthat is all, we will not discuss this matter anymore. (Thomas)

Wambere and Sarah had frowned in anger and dismay while Tanu had happily pouted at their discomfort. Unfortunately this was not end of the matter. It was the beginning of the strife between Tanu and the other team members.

Team clashes: incident two

The second major team conflict had occurred on the premises of the Labor Ministry, another prestigious OD project obtained by Focus. Wambere had wanted to be openly declared the team leader and be given the coveted office corner on the client's office premises. She felt that being a local and senior most person of the team; it was her natural right. She should be allotted the office consisting of a desk and computer.

I think it is time I become team leader. I am a local and senior member of the team. I should have my own office. (Wambere)

Sarah had protested. She had been entrusted with the responsibility of analyzing data and would therefore need the computer to complete her work on time.

It is not fair. I am doing the work of data analysis and need a computer. I think I should have my own office and computer. (Sarah)

Thomas had immediately called a meeting back at office. He had silenced his team with threats of pay cuts and suspensions. This had worked in the short term but again the situation erupted at the time of report generation. Sarah had loudly declared that because she had designed the entire research process and methodology, overseen the analysis and report editing, her name should be mentioned first. Wambere had scornfully laughed and counter argued that unless she had equally participated, no one at the Labor Ministry would have confided about their problems to Sarah.

Why will they talk with you, I am a local, my name should come first. (Wambere)

Tanu also had loudly joined in the discussion:

I transcribed all the interviews, loaded everything into the software, analyzed the data and wrote down the initial report under the supervision of Sarah, so why should my name be placed last? (Tanu)

Thomas had been stunned. He did not know how to control the situation in hand. Wambere and Sarah had wanted a leader to be officially assigned to the team. Thomas, unable to resolve this dilemma, had finalized the final report himself and presented it to the Labor Ministry on time.

Team clashes: incident 3

The next incident had taken place during printing of the first staff newsletter of Focus. Tanu felt it was time to be assertive since the entire newsletter had been her effort. She decided to place her name officially as the editor of the newsletter. This invited the wrath

and fury of Wambere and Sarah when the matter had been brought to their attention by the local administrative staff. Both joined hands to intimidate Tanu.

You joined after us. That means we are your seniors. (Sarah, nodding at Wambere)
Even in the team, we are your seniors. You have to listen to us and not talk so much. I am your leader and Sarah knows everything. (Wambere)

In the meantime Focus had received a new project with the health ministry revolving around HR issues and problems. Tanu stopped coming to the office on the pretext of illness. On being asked to resume work by Thomas, she demanded her name be placed as the editor of the newsletter. Thomas was in a dilemma, Tanu needed to be pacified right now, else the project would never get started, Wambere and Sarah needed to be persuaded to start working as a team and look at the interests of the company instead of their own petty needs and desires. Thomas was at a loss-

We are a team. We need to put our differences aside and work together to finish the project (Thomas)

But his attempts at reconciliation were in vain

I have the right to lead this team (Wambere)
I will not be ignored. I have all the latest knowledge and demand a team status (Tanu)
I have wide experience. I should be given more responsibilities than others. (Sarah)

The result was a complete halt. Data had not been gathered and analyzed, spreadsheets and presentations had not been developed, and the report remained unfinished.

Now here they all were in the conference room of the firm on the morning of 12th January 2000- he and his team with an incomplete report and an irate client!

Questions

- Q1. What was the problem facing the team? What were consequences of this problem?
- Q2. Why do you think this problem occurred in the team? Give reasons.
- Q3. What should Thomas do/or have done to control/ resolve the problem?

Appendix

History of Botswana

Botswana is located in the southern part of Africa. It attained independence from the British in 1961. The country is described as the longest surviving democracy in the world (Molomo, 2000). It covers a flat land mass of 231, 788 miles square, and is the world's 45th largest country in the world (<http://en.wikipedia.org/wiki/Botswana>). The country is dominated by the Kalahari Desert which occupies more than 70% of the land mass. The country has a semi arid atmosphere with very short but intense periods of rainfall (Government of Botswana, 1972). The local currency of the country is called 'Pula' which means rain. Botswana's population ranges from 1.5 – two million (Government of Botswana, 2002). The country has seven major cities of Gaborone, Maun, Ghanzi, Serowe, Kasane, Mamuno, Mahalapye, and Bobonong. Gaborone is the capital city of Botswana housing the country's sole airport facility. All government offices, embassies, and MNC offices are situated in Botswana. Botswana has one aviation industry operated and controlled by the Government called Air Botswana. Air Botswana schedules all international flights to only South Africa which forms the only avenue of international travel. The country is the fifth highest issuer of foreign student visas (Molomo, 2000). Its population is illiterate, poverty-ridden, and AIDS afflicted (Amanze, 2002).

Prior to 1970, the country was poor and totally dependent on external aid. In the 1970s Botswana emerged as the main exporter of diamonds and gold to the world. This greatly increased revenue transforming the country's fortunes. From a poor struggling nation, it is now a progressive dynamic country (Molomo, 2000). The impetus provided by the mining industry saw the growth and development of industries of power, infrastructure, communication, trade, healthcare, education, and tourism. However, economic growth came to a halt in 1989. The government in power refused to allow foreign expatriates to establish residence in the country. But, new expatriate policies established in 1991 saw a revival of the country's economic fortunes (Molomo, 2000). This included abolishing foreign exchange controls, instituting low corporate tax rates, speedy processing of applications for business ventures and, the adoption of a policy of transparency in all its dealings. The Ministry of Trade and Industry simplified and expedited the issuance of work and residence licenses. The Registrar of Companies reduced company registration turn around time from a period of 12 weeks to 10 working days. The government further provided assistance to investors through investment incentive schemes in the form of grants and tax relief. The government also changed the policy of expatriate recruitment in local companies. A local company could recruit an expatriate provided that the expatriate possessed knowledge, skills and, abilities in local candidates. The expatriate employee had to enter into a contractual agreement of mentorship where s/he would train, coach, mentor, and train local staff with KSA i.e., knowledge, skills and, abilities, for the job in question (Bank of Botswana, 1999; Mpabanga, 2004).

Sociocultural Climate of Botswana

Social fabric of Botswana culture is characterized by the concept of "ubuntu" which means "I am who I am through others" (Mbigi, 2000). Botswana society is communal in nature with defining features of group solidarity, trust building, interpersonal relationships, and collectivism (Booyesen, 1999). Botswana society is divided into two major sections of the rural native population called the Batswana people and, the expatriate population.

The former follow a rural lifestyle which is pastoral and hierarchical in nature (Amanze, 2002). Botswana has eight tribes: Tswana, Kalanga, Bushmen, Bayei, Basubia, Baherero, Bambakushu, and Bakgalagadi. The tribes are primarily patriarchal in nature with a male chief and financial advisor at the helm of affairs. Most of these tribes live in the rural desert regions of Ghanzi, Kasane, and Maun. The Tswana tribe is the largest in the country occupying most of the Kalahari Desert and surrounding areas (Alverson, 1978). The latter forms the educated class of Botswana society living in modern housing facilities of Botswana cities. The local language of the country is Setswana though English forms the language of communication. Botswana people are argumentative and dominating in outlook. They always like to be control of a situation, and believe in direct communication.

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Failure to Deliver : A Team in Crisis (Teaching notes)

Case Synopsis

The case resolves around a situation of conflict between the team members. The company in question Focus is a professional consulting firm located in Gaborone, Botswana. Focus provides consulting services in the areas of Auditing, Finance, Taxation and organization transformation. Thomas is recruited as the Director of the newly developed Business Consultancy unit. He has been assigned the task of recruiting and hiring his team of employees. He recruits three women from different functional expertise within the area of management. The team does not make any headway as team members are always sparring. Thomas wonders as how to resolve this issue.

Research Methodology

This case is based on interviews conducted with one of the team members of the Business Consultancy division. The company name including names of concerned employees has been disguised for confidentiality purposes.

Purpose

This case study could be used in undergraduate, and graduate classes when dealing with subjective matter and issues revolving around dysfunctions in teams, cultural diversity, and diversity management.

Teaching Objectives

This case will be effective in facilitating classroom discussion on team functioning and their implications in the overall context of organizational functioning. Students will be able to :

- (iii) Become aware of teams dysfunctions and conflicts
- (iv) Become aware of role conflicts, identities, and power struggles within a team
- (v) Become aware of cultural differences across nations
- (vi) Manage diversity within teams
- (vii) Understand the impact of cultural differences on interpersonal communication

Teaching Methods

The following is a sample plan for a 2 hour session:

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|--|---------------------|
| 1. Distribution of case and discussion questions | 7 days before class |
| 2. Discussion on teams, types of teams, team building, team dysfunctions etc | 20 minutes |
| 3. Discussion on identity and power | 10 minutes |
| 4. Discussion on Hofstede's cultural dimensions | 15 minutes |
| 5. Discussion on Face Negotiation Theory | 15 minutes |
| 6. Discussion on Diversity Management & Training Methods | 15 minutes |
| 7. Review of possible answers for the case study | 35 minutes |
| 8. Summarize and discuss the answers | 5 minutes |
| 9. Wrap up and comments | 5 minutes |

It is recommended that the questions be provided to students ahead of time so that they get time to reflect on possible responses prior to class:

- Q1. What was the problem facing the team? What were consequences of this problem?
 Q2. Why do you think this problem occurred in the team? Give reasons.
 Q3. What should Thomas do/or have done to control/resolve the problem?

Suggested readings related to case study

Barnett, G. and Cheney, G. (2005). 'Organizational communication and globally displacedpPerimeter' In *International and Multicultural Organizational Communication* Barnett, A. G. and Cheney, G. (5th edition), (p. 236-252), Hampton, Hampton Press.

Cargile, A. C and Giles, H. (1996). 'Intercultural communication training: review, critique and a new theoretical framework', in *Communication Yearbook* 19, B. Burleson Ed., 385-424, Thousand Oaks, CA, Sage.

Hofstede, G. (1991). *Cultures and Organizations: Software of the Mind*. London, McGraw-Hill.

Getzel, J. G. (1998). 'Culturally homogenous and heterogenous groups: explaining communication process through individualism-collectivism and self-construal', *International Journal of Intercultural Relations*, Vol. 22, 2, 135-161.

Q1. *What was the problem facing the team? What were consequences of this problem?*

Ans. The team members, Wambere, Sarah, and Tanu were unable to collaborate and cooperate with each other any more. There were continuous disagreements, conflicts, and strife which was having a negative impact on the overall team functioning and output. The team was not being able to complete its work assignments on time, and this was causing immense anxiety to their superior, Thomas.

Q2. *Why do you think this problem occurred in the team? Give reasons.*

Ans. Thomas, the Director of Business Consultancy department strongly believed in the ideology of interdisciplinary teams and decided to put together a consultancy team of young people possessing a variety of functional expertise, skills, and backgrounds. Thomas felt a diverse team consisting of different ethnicities, professional backgrounds, and skills would overcome problems relating to power struggles, miscommunication and distrust. It would also ensure pooling in of numerous perspectives, perceptions, and concepts to widen the managerial scope required in handling consultancy projects received by Focus. Moreover, Thomas believed a diverse team created an atmosphere of trust, dialogue and collaboration ultimately accentuating project completion rates. He also designed team roles and responsibilities to be flexible to allow job rotation and empowerment leading to creative solutions, and an environment of common purpose building.

The HR team was a lateral team, with horizontal division of labor and two way communication. All members had equal status, position and authority. There were no formal job descriptions and job ranks. All members were known as 'HR executives' but for the purpose of remuneration and performance appraisals were loosely categorized as under :

- (vii) Team Leader and Facilitator—Thomas
 - (vii) In-charge of all internal HR functions
 - (vii) In-charge of external HR projects
- (viii) Team Member 1—Wambere Selesto
 - (viii) In-charge of HR project data collection
 - (viii) Contribute to performance appraisals, training and internal HR functions
- (ix) Team Member 2—Sarah Boswell
 - (ix) In-charge of HR project data collection
 - (ix) Contribute to performance appraisals, training and internal HR functions
- (x) Team Member—Tanu Singh
 - (x) In-charge of HR report-writing
 - (x) Contribute to performance appraisals, training, and internal HR functions

The Consultancy Team

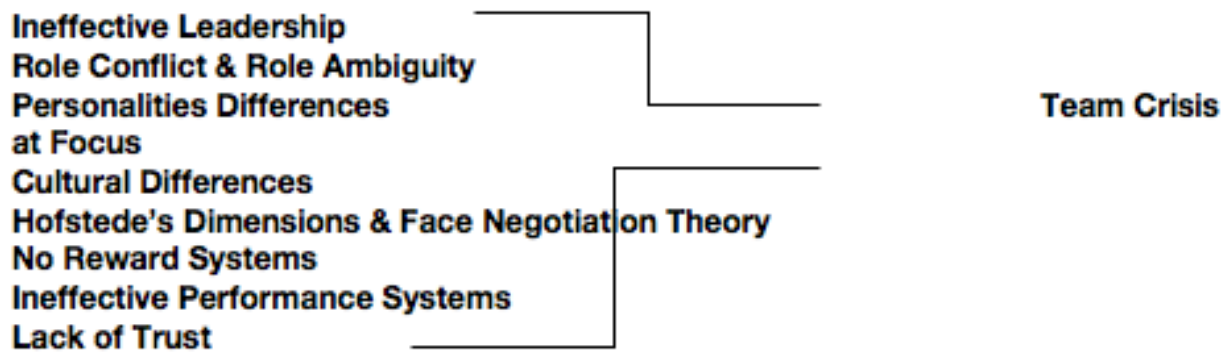
Wambere Selesto: was a 25 year old marketing professional, local from Botswana, educated in Kenya. She had three years of experience, was highly proficient in information technology systems and programs. However, all her work experience was in Kenya. Her positive characteristics were her aggressive nature, go-getter extroverted outlook and knowledge of Setswana (native language of Botswana) which would enable her to network and build a strong client base at the local, regional, national and international level.

Sarah Boswell: was a Canadian born 30 year old business major, whose family had migrated to Botswana in 1980s. She was fluent in French, Chinese, English, and Setswana. Sarah, was familiar with Botswana culture, policies, and organizational functioning. Sarah, Thomas believed would be able to build relationships with people across cultures and prove invaluable during the time of field research in consultancy projects.

Tanu Singh: was a 23 year old, HR professional from India. She was fresh, young, eager, completely unaware of Botswana, its subjective knowledge about HR, Labor Laws, Organizational Behavior, badly needed in developing Focus' HR policies and manual and various consultancy projects. She however, lacked strong communication and interpersonal skills which could prove to be a detriment in teamwork and collaborative projects.

The team started off well, completing employee staff manual and magazine quickly, progressing well on various consultancy projects acquired by Focus. But problems soon started cropping up in the form of disagreements and arguments. All team members seemed to have different perceptions and mental models on situations and concepts.

Problems in the team put together by Thomas can be approached from three different angles—factors responsible for team effectiveness, and team dysfunctions, cultural differences, and multicultural communication [see Figure 1].

Figure 1 : Reasons for Team Dysfunctions

Team Effectiveness and Dysfunction

Problems usually occur when a group of people come together to work on a common project. Common problems revolve around differences in member needs, goal disagreements, norms, divergent views, how to make decisions and how leadership and direction are administered. Effective team performance is dependent on four contextual factors such as presence of adequate resources, effective leadership, climate of trust, performance evaluation and reward system. The leader is required to clearly define the structure of the team, members' roles, team norms and regulations. S/he is responsible for designing a reward structure which considers both individual and group contributions. An effort should be made to emphasize collaboration, common purpose, collective responsibility and develop common goals, norms, and expectations. Regular meetings, communication, and dialogue opportunities should be created to remove tensions and animosity between members. Moreover a team should consist of members diverse in terms of personality, gender, age, education, experience, and functional expertise (Robbins and Judge, 2008).

Teams have different needs and members selected should be able to fulfill different roles. There are nine potential roles consisting of Linker, Creator, Promoter, Assessor, Organizer, Producer, Controller, Maintainer, and Adviser. Each member should be prepared to take one or more roles based on their skills and preferences. Managers need to understand individual strengths of team members and then allocate work assignments that fit with members' preferred styles. By matching individual preferences with team roles, the likelihood of future conflicts is minimized (Robbins and Judge, 2008).

There could also arise diversity amongst team members in terms of culture, racial and national differences which always lead to problems in the short term. According to Hofstede (1980), the behavioral traits and tendencies of individuals' across the world can be deciphered using the five cultural dimensions of individualism, power distance, uncertainty avoidance, masculinity, and long term orientation.

Similarly the Face Negotiation Theory states that conflicts occur when two or more individuals of different ethnicities and cultures meet and work together (Ting-Toomey, 1988). Face negotiation theory revolves around the concept of face concerns of an individual which could take the form of "self face" or "other face". The concept of face can be defined as "a projected image of one's self in a relational situation" (Ting-Toomey,

1988: 215). In an organization an individual employee could either display “self face”, i.e., protecting and maintaining one’s own image in front of other people. S/he could, also choose to show “other face” i.e., a situation where individual protects, appreciates and maintains the values, goals and image of other people. Ting-Toomey, Oetzel and Yee-Jung (2001) add a third variant to the model of face concerns, which is “the mutual face”. Mutual face is a situation where the individual strives to walk the middle path—maintain his/her image and at the same time maintain other peoples’ image. Mutual face could be described as a compromise situation.

The two determinants of Face Negotiation Theory are personality and culture ethnicities (Triandis, 1995). It is possible to categorize and understand the personalities of individuals on the basis of four cultural traits: individualistic, collectivist, independent and interdependent. Individualistic cultures tend to be concerned with “self face”. People from these cultures are independent, dominating, and interested in protecting their own ideas and goals for instance. On the other hand, collectivists rely on the principle of “other face and mutual face”. These cultures impose great focus on teamwork and mutual benefit such as Asian cultures. The self construal or self image face weaves in the cultural traits of individualistic and collectivist cultures.

Individuals can also be described as independent or interdependent (Markus and Kitayama, 1991). Independent self construal is a person “...whose behavior is organized and made meaningful by references to one’s one own internal repertoire of thoughts, feelings and action rather than by reference to the thoughts, feelings and action of others” (Markus & Kitayama, 1991: 226). Interdependent self construals have the cultural trait of collectivism and usually share the self construal of other or mutual face. Individuals with interdependent self construals are “motivated to find a way to fit in with relevant others, to fulfill and create obligation and in general to become part of the interpersonal relationship” (Markus and Kitayama, 1991: 227).

What went wrong?

On the basis of the above discussion, numerous reasons can be cited for the problems existing within the team created by Thomas. Thomas chose team members who were diverse in culture and personality. All the team members were young (early 20s and 30s), women with functional expertise in various areas of management. All three had very strong personalities and the need to prove themselves professionally. All team members belonged to different cultural backgrounds. Tanu, was from India, a country situated in the Asian continent. Sarah was originally from Canada, and Wambere was a local of Botswana, located in the African continent. Three individuals, originating from three continents across the world is also bound to lead to recurrences [see Table 2 and 3].

Wambere: is a local native of Botswana. Botswana is a country abided by the policy of showing preference to locals over expatriates. In fact, they have a policy of recruiting expatriates on a contractual basis only on the condition that s/he would train his/her local junior about the responsibilities and functions of the job. Wambere is a local and feels that it is her natural right to be declared the official team leader. Her goals and expectations become distanced and different from those of the team when her seniority and her ethnicity are not recognized. Further, she displays an aggressive attitude towards her work. This could filter into her dealings with her team mates causing dissension.

Otherwise, Wambere belongs to a collectivistic society of Africa, where individuals support their team members and groups emotionally, mentally and financially. Here, the group is very important and individual ambitions and agendas are sacrificed for the overall good of the organization. Again Africans are placed high on the power dimensions. In an African society, there is inequality of power, rank, responsibility, task and freedom at home and work. There exist rigid roles and duties and individuals are expected to practice them. Therefore Africans tend to strictly abide to immediate authority figure who wields all the power.

Next, Africans are high on uncertainty dimensions. These cultures prefer a life of routine and dislike ambiguity preferring clear and precise orders, clear demarcation of roles, status and functions (Hofstede, 1991). These cultures also relate to a strong desire for patriotism and nationalism towards their community. Finally, Africa happens to have a masculine culture (Hofstede, 1980). Individuals with masculine cultures tend to be assertive, tough and focused on financial success in life. Again Africans are high on long term orientation where virtue is more important than short term goals and objectives.

In all three team conflicts Wambere's face concern and cultural style clashes with her context and personality. She does display other face and interdependent construal in the initial stages of writing the report be it incident one, two or three. The conflict arises when Wambere identifies with her situational, organizational, and personality variables. She wants to be the team leader—she wants the limelight—she wants an office. When she feels her expectations being threatened, face concerns seem to retreat behind, and Wambere experiences a lack of communication and identification with the team goal.

Sarah: in contrast to her other two team members belongs to Canada, located in the Western hemisphere. Canada, as a country is highly masculine. Individuals from masculine cultures, display characteristics of assertiveness, materialism and dominance. Again, Canadians come from an individualistic society, which means they care about themselves, their ambitions, crave for individual recognition at the expense of the overall group. Further, Canada is low on power dimension. In other words, these cultures believe in the concept of equality irrespective of socio-economic status, gender and educational status. Everyone ranging from a managing director to a secretary would be able to demand equal respect within a company. Also Canadians are low on the cultural dimensions of uncertainty avoidance and therefore prefer environments which are flexible, tolerant and perceive ambiguity and chaos beneficial to creativity. But Canada is prone towards short term orientation, so members are more inclined towards colluding to meet short term goals.

Sarah displays self face and an independent self construal. She therefore places individual ambitions, needs and goals at a higher level than those of the group. Her self face concern reflects her need for always being in the limelight—an intrinsic need for power, dominance and limelight. Factors of age, gender, context and personality seem to accentuate her tendency to display self face. She seems to be bothered about personal ambitions and, places team goals on the fringes of her mental model. In all incidents, she shows her inherent cultural facework of individualism when she expresses concern about not being in the limelight. Her dissatisfaction at not being able to attend the final meeting at NPC—her argument about putting her name on the report first and her attitude and behavior of joining hands with Wambere to intimidate another team member, reflect her facework concern of independent self face.

Tanu: is from India, which is situated in the Asian continent. India belongs to a collectivistic, high power, feministic and uncertainty culture with a long term orientation. Tanu, therefore as an individual is group oriented, is able to work in an environment where there is clear demarcation of authority, roles, status and functions. She would prefer an environment which has clear ranks, designations, revolves around rules and regulations with submission to a superior. Tanu, because she belongs to a feministic society, would possess the qualities of modesty, tenderness believing in the aspects of equality of duty and role in society. She should naturally show a tendency towards interpersonal relations and skills (Hofstede, 1980: 272). Finally Tanu would show a preference for long term group orientation as against short term agendas. Therefore the flexible job descriptions, equal ranks of authority and concept of employee empowerment is not suitable for Tanu's cultural orientation.

Tanu possesses facework concern of other face. She has a self-construal of interdependency. And her cultural behavior combined with her facework of other and mutual face defines her initial behavior and action of harmonious networking in the team. However when faced with contextual threats of job position and status in the team, her facework concern of other face gives way to mutual face. She starts dissenting and voicing her opinion in order to make Thomas realize and appreciate her invaluable business acumen and issue her another employment contract.

Table 2: Team Members Cultural Dimensions Scores Based on Hofstede's Analysis

Country	PDI	IDV	MAS	UAI	LTO
Tanu	77	48	56	40	61
Sarah	40	85	58	46	29
Wambere	85	25	52	60	22

PDI = Power Distance

MAS = Masculinity/Femininity

IDV = Individualism/Collectivism

UAI = Uncertainty Avoidance

LTO = Long Term Orientation

Source : Adapted from <http://www.clearlycultural.com>

Table 3: Team Members Facework Concerns, Self-Construal, Culture & Context based on Face Negotiation Theory

	Facework	Self-Construal	Cultural Factor	Contextual Factor
Wambere	Other Face	Interdependent	Collectivistic	High
Sarah	Self Face	Independent	Individualistic	Low
Tanu	Other Face & Mutual Face	Interdependent & Independent	Collectivistic & Individualistic	High & Low

Moreover, Thomas obsessed with the idea of creating a diverse team consisting of different ethnicities and professional backgrounds completely ignored factors such as specification of members roles, duties, and expectations. He also failed to design

appropriate reward systems to influence and monitor the behavior of his team members. Moreover he ignored the fact that diversity in teams in terms of ethnicities and personalities always leads to conflicts. Instead of allowing open dialogue to clear the air, he sort resort to threats of pay cuts and suspension. He should have defined the structure of this team, members' roles, functions, responsibilities and rankings. He did not have any clear conflict resolutions strategies existing for his team. He did not have in place strategies like discussions, regular meetings to initiate open dialogue and feedback.

Thomas showed complete ineptness at handling, coordinating and successfully leading a diverse team. This failure could have been avoided if Thomas had undergone training in team building and conflict handling strategies.

Q3. What should Thomas do/or have done to control/resolve the problem?

Ans. It is possible to turn individuals into team players. It is the manager's responsibility to develop and enforce a training program to acquaint the various team members with the goals of team, company and culture of all the various employees and the organization as a whole (Gudykunst, Wiseman and Hammer, 1978; Brislin and Yoshida, 1994). Training could be provided to hone the interpersonal skills of the team members. Training could also be culture general in the beginning moving to culture specific with emphasis on learning and skill development (Gallios and Callan, 1997). There could be specific references to culture of different countries (Maynard, 1999), and a discussion on the cultural determinants of individual personality (Cargile and Giles, 1996). The main objective of the entire training exercise should be to foster and inculcate sufficient interpersonal and intercultural understanding and respect. Training sessions should help employees to improve their problem solving, communication, negotiation, conflict-management and coaching skills.

Thomas should start with an awareness raising session followed with a structured training format consisting of presentations and discussions. The focus should be on encouraging open dialogue between team members about their expectations as a team, their culture and work ethic. The training could then take an informal and unstructured format of demonstrations, storytelling, drawing, and role play. The aim should be to acquaint all team leaders with his/her attitudes, communication and interaction styles. This would help team members to recognize and identify their wrong and misguided reactions. It would aid team members in rectifying their work practices and communication styles. In the last stage, Thomas could have a session on the role of stress and methods to handle stress. Interacting with people sometimes could give rise to high levels of stress. Thus conducting workshop sessions with professional consultants, psychologists and therapists would enable awareness of interpersonal and cross cultural differences, stress relieving techniques and how to handle different workplace situations and conflicts.

Thomas should integrate personality testing into the hiring procedure of Focus. This would ensure hiring candidates who possess appropriate team skills and technical skills as well. He should also develop performance evaluation and reward systems which encourage team effort and collaboration. He might also consider allocating seniority status to each team member to avoid power struggles in the future. Roles of each team member should be defined, their responsibilities clarified to avoid role ambiguities and clashes as a team.

Epilogue

Thomas after prolonged discussions with Raj, the Managing Director of Focus, decided to initiate a 'Training Program' for all the old and new employees working within the firm.

Focus entered into an agreement with a South African training firm based in Johannesburg to conduct training workshops and lectures for all levels of employees within the firm. The training was formatted on the following lines:

- (iii) Awareness raising: where the employees are made aware of each other's expectations, behavior and work ethics. The aim being to inculcate respect and understanding for each other. Employees are asked to enact episodes of conflicts which they might have been faced with in their working environments. This would be followed by a role play and story telling workshop. Employees would be asked to enact scenes of their own argumentative and uncooperative behaviors. The objective would be to demonstrate to the employees how their narrow perception and behavior might affect overall company work performance and achievement.
- (iv) Employees would also be given training on cross cultural non verbal cues and body language interpretations.
- (v) Finally employees would be given information about stress coping strategies

Thomas was asked to prepare a report on the implications of the training program. And develop an orientation program on similar lines for all future recruits of the company.

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Union Carbide India Ltd.: A never ending toxic nightmare

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Abstract

The case study offers an account of the horrific gas tragedy which occurred at the UCIL gas plant site of Bhopal in Northern India in 1984. The case probes into the background, attitude and motivation of Union Carbide – the UCC which is the parent company of the Indian branch UCIL, leading to the fatal disaster.

The case maps out the horrific story of the Bhopal Gas tragedy through the eyes of a survivor, Razia Khan. Razia and her husband's family were at the time of the tragedy living in one of the larger residential units near the plant. Razia wakes up on the night of 3rd December to terror, death and suffers a great personal loss.

INTRODUCTION

Pregnant Razia Khan woke up a little disoriented. It was past midnight on 3rd December 1984. She had slept late watching television till 11 p.m. and then had fallen asleep. She could distinctly hear her three-year old daughter, Farah, coughing incessantly but could not see her properly. A white cloud enveloped the room. The coughing continued as Razia clutched her eight-month old son, Ali, and vainly tried to reach for her daughter.

Outside, in the street, she could people shouting and screaming. The yells of “bhaago, bhaago” [run, run] came floating through the window of the room. Razia stumbled blindly through the white haze—her eyes were itching and even breathing was a problem. Her lungs seemed on fire! In the nearby room she could hear her sister-in law coughing. Her mother-in law came into Razia's room and helped her with her two children. Ali had fallen unconscious. The entire family was groaning and Farah started to vomit. The screams and yells grew persistently louder and frightened. The family left the house for safety. Outside pandemonium was in flow as people rushed past without caring for clothes. People were screaming, vomiting, falling down unconscious, and getting trampled by other running people. Cattle were also running trampling on people and pushing past them with their horns.

Razia and her family thought of walking to safety—to the Hamidia Hospital which was nearly three kilometers away from where they were standing. Farah, in the meantime had succumbed to unconsciousness and so had Razia's sister-in law. The Khan family tried to walk quickly but was hampered by their burning eyes and temporary blindness. Razia felt a deep stab and could feel feces running down her legs as she lost control of her bowels. Her mother-in law was vomiting. Soon the family was unable to walk anymore and just fell to the ground and lay there, coughing and vomiting. Razia had a miscarriage then and there. The blood mixed with her feces and ran down uncontrollably. The family lay there in silence wondering what had happened.

The family managed to get a ride in a large three-wheeler already filled with people. The vehicle moved slowly uphill and then broke down, still quite a distance away from the safety haven of Hamidia hospital. The Khan family started walking again holding onto each other. They reached a dry garbage dump and fell down exhausted. Razia was

covered with vomit, blood and feces. She could not see but could hear people all around crying and screaming in panic and terror. Her children, mother-in-law and sisters-in-law had fallen unconscious. She was too weak to even get up and carry her children to safety. She just lay there and waited for help to arrive.

In the meantime, help in the form of blankets and quilts to provide cover and protection against the gas cloud, was being given by people from neighboring unaffected area. Razia and her family were covered with a quilt and moved to the side of the road. Clean-up had begun. And soon the public announcement told everyone to go home as the situation had been controlled.

Razia could not get up. She could hear wails and groans all around. The stench of dead cattle was now filling the early morning air. Her family was still unconscious. A helpful neighbor took the family in and gave them food and water. A couple of hours later, still with itchy eyes and throats, the family made its way home. The former residential locality lay in shambles resembling a ghost town. The trees had shed all their leaves and were now bare and scorched. The eatables including the milk in the house had turned green. At 8 a.m. the Khan family heard that people were leaving the area. The Khan family decided to follow suit. Razia's husband, who had been away chauffeuring a business family to Jaipur, had arrived, harried and panic-stricken.

BACKGROUND

Razia and her family occupied one of the larger residential units near the Bhopal Gas Factory. She, her husband and their two children used to stay with her in laws, and her two brothers-in-law and their families in a two-bedroom brick and mortar house. Razia's husband was employed as a car chauffeur and used to be often away from home chauffeuring families on business trips. Razia and her two children, three-year old Farah and eight month-old Ali, occupied one of the side rooms in the four room house. Razia was two months pregnant. The Khan family merely saw the Bhopal Gas Factory as an employment site which provided jobs, food and shelter to scores of people in the city. They were not concerned with the inner workings of the plant and assumed that the plant was beyond malfunction and failure!

UCIL was established in 1934, when Union Carbide Corporation (UCC) became one of the first U.S. companies to invest in India. Union Carbide Company was formed in 1898 to manufacture calcium carbide. Acetylene was produced from calcium carbide which was used for lighting of homes and streets. Soon after the discovery of electricity, the company branched into metal production and Eveready line of dry cell batteries. Union Carbide's early years of development was linked with military production i.e., it was involved in the production of chemicals and materials used for war purposes.

In 1920, the company began the manufacture of synthetic organic chemicals. By this time the company was an international corporation with headquarters in New York and subsidiaries in Canada. The most important development pertaining to UCC took place in later 1970s, when the company embarked on the production of SEVIN and TEMIK pesticides. By this time, the company had grown into a multinational giant with sales of \$6.3 billion of which 33 percent were outside of the U.S.A. The company had a workforce of 113,669, with over 130 subsidiaries of affiliated companies in over 35 countries and 500 major manufacturing facilities in 36 countries around the world.

In 1964, the company moved towards the Indian market. India, a primarily agricultural country was under the wave of Green Revolution (emphasis on increasing agricultural

produce), which provided a ready market for Union Carbide's pesticides products of SEVIN and TEMIK. The Bhopal plant was built in 1970s and was owned and operated by UCIL, an Indian company in which Union Carbide held over half of the stock. Indian financial institutions and thousands of private investors in India owned the rest of the stock. The sleepy city of central India, Bhopal, had been transformed in to a bustling city of industry, progress, and promise in the 1970s. UCIL emerged as a public owned, diversified manufacturing company employing approximately 9,000 people, and operating 14 plants in five divisions. The foundation of the Bhopal plant was hailed as a huge turning point for the developing nation of India. The plant was to manufacture pesticides for use in India to help the host country increase its agricultural productivity and meet the growing demand of its large population. UCIL manufactured a pesticide, Carbaryl under the trademark of 'Sevin' using methyl isocyanate (MIC) as an intermediate. Until 1979, MIC was imported from USA. Other pesticide manufacturers, such as Bayer manufactured Sevin without MIC at greater manufacturing costs. MIC was a highly toxic substance and had to be carefully handled. Union Carbide "Indianized" the manufacturing process to maximize the use of indigenous materials and products. It also dispensed with the use of sophisticated instrumentation as not appropriate for the Indian plant. This manufacturing method was less reliable and unproven but it did produce desirable results. At the Bhopal plant, raw materials of methyl amino and phosgene were reacted to develop MIC which, was then combined and reacted with 1- naphthol to form the final product of carbaryl. This process of manufacture was less expensive. The original manufacturing route followed in US, comprised of reacting phosgene with naphthol to form chloroformate ester which was then reacted with methyl amino to form carbaryl.

The Indian manufacturing route worked for a while with agricultural production booming. Many residential localities developed near the plant. The city of Bhopal became the hotspot for employment. UCIL gave jobs to thousands of workers and was considered the lifeline of many families. However, things began to change from 1980. The consumption of pesticides in India dwindled but the production continued at Bhopal plant, leading to buildup stores of large quantities of unused MIC. Consequently, UCIL was hit hard. Many workers began to loose their jobs – families lost their livelihood. Downsizing took a heavy toll as skilled operators and foremen including managerial personnel began to look elsewhere for livelihoods. Budgetary cuts resulted in a preference for less qualified operators, less stringent quality controls and looser safety rules. "If a pipe leaked? workers were told not to replace it. If workers voiced the need for safety training, they were ordered to keep quiet or else leave". Promotions were halted, affecting employee morale and driving whatever few skilled workers the factory possessed elsewhere. Workers were forced to use English manuals despite the fact that they had no knowledge of the language (the language spoken in Bhopal is Hindi). The plant continued operation with makeshift unskilled staff. Health and safety procedures including quality control and maintenance of the tank pipes were ignored. Improper design and efforts to reduce energy costs forced safety and maintenance issues to take a backseat. The MIC alarm systems had not worked for four years. The plant had only one manual backup system. This was contrary to the normal protocol of four backup systems used in the US. In spite of this breakdown in operations, the Bhopal plant continued to manufacture MIC in large amounts. This MIC was then stored in small tanks. The first signs of disaster had already begun taking shape.

In 1976, soon after the plant had been set up, two trade unions complained to the management about the pollution taking place within the plant. On December 25th, 1981, a worker was splashed with phosgene and died subsequently. Again in January, 1982, 24

workers were exposed to a phosgene leak and had to be admitted to hospital. The workers had not been advised to wear protective masks. In February 1982, 18 workers were exposed to a MIC leak. Again later in the year, in August, a chemical engineer came in contact with liquid MIC, resulting in burns over 30 percent of his body. In October, there was a significant leakage of MIC, methylcarbaryl chloride, chloroform and hydrochloric acid inside the plant. And the MIC supervisor suffered intensive chemical burns along with two other workers when trying to stop the leakage from spreading outside. But yet the leakage affected hundreds of nearby residents resulting in mass scale hospitalization. Throughout 1983 and 1984, leaks of MIC, chlorine, monomethylamine, phosgene, carbon tetrachloride and sometimes combination of more than one continued. Workers continued to make complaints through their unions about the cuts, the lack of proper safety equipment and guidelines but were ignored. In fact, aggressive workers were fired and 70% of the plant's employees were fined by the management for refusing to deviate from the proper safety regulations under pressure from the management.

Local opposition legislators took up the issue of Bhopal plant in the State Assembly and based on leakage incidents urged the state government to force the plant to a less-populated area. In early 1982, a local journalist, Rajkumar Keswani warned people of Bhopal about the dangers posed by the Bhopal Plant. His article published in September 1982, entitled "Please Save this City" drew attention to grim dangers the people were being exposed to. His other articles similarly spoke of "Bhopal Sitting on Top of a Volcano" and "If you do not understand this you will be wiped out" and "Bhopal on the Brink of a Disaster".

In the midst of all this clamor, in May 1982, Union Carbide sent a team of U.S. safety experts to inspect the Bhopal plant as part of their periodic safety audits. The report released to Union Carbide's management in the United States consisted of statements like "potential for the release of toxic materials" and a consequent "runaway reaction" due to "equipment failure, operating problems, or maintenance problems. In fact the report specifically mentioned: "deficiencies in safety valve and instrument maintenance programs. Filter cleaning operations being performed without slip blinding process. Leaking valves could create serious exposure during this process". The safety audit team reported a total of 61 hazards, 30 of them major and 11 in the dangerous phosgene/MIC units. They warned the UCIL of a "higher potential for a serious incident or more serious consequences if an accident should occur".

Even though this report was made available to senior U.S. officials, no action was taken in terms of safety measures. In fact, the management further carried out a major cost-cutting effort; it terminated 335 men in 1983, saving the company \$1.25 million. In spite of warnings, of MIC being a particularly reactive and deadly gas, the Bhopal plant's safety systems were allowed to fall into disrepair. The safety manuals were re-written to permit switching off the registration unit and shutting down the vent gas scrubber when the plant was not in operation. Cost-cutting measures reduced the MIC plant crew from 12 to 6. While in the control room, there was now only 1 operator to monitor 70+ panels. Safety training for the plant employees was cut down from 6 months to 15 days. Majority of the safety systems were left unrepaired including the plant siren.

In May 1984, the US engineers of UCIL adopted a design modification to its process safety system. The "jumper line", was a cheap solution to a maintenance problem. It connected a relief valve header to a pressure vent header and enabled water from a routine washing operation to pass between the pressure valve and the MIC storage tank 610. The 1982 safety audit report mentioned that the pressure valve was leaking but

declined to mention the jumper line. Ironically this would later become the cause of thousands of innocent people getting gassed in Bhopal.

In November 1984, things finally came to a head. The safety systems stopped functioning. The flare tower and the vent scrubber of the plant which had been out of operation for five months broke down. These two safety mechanisms worked together to reduce the toxicity of the gases. The gas scrubber was used to treat escaping gases with sodium hydroxide to reduce their toxic concentration. The flare tower was poorly designed. It could not hold more than one-quarter of the volume of any escaping gas.

Refrigeration systems preventing the volatilization of MIC were closed down. In addition steam boilers used for cleaning the MIC pipes were shut down. The contamination of the non-stainless steel pipes continued to grow as large amounts of corrosive iron cemented in the pipes.

On December 2 and 3 of 1984, a small MIC tank 610 was to come into the foreground and create havoc in the city. MIC tank 610 contained 42 tones of MIC, which was illegal according to safety protocols. Huge amounts of water leaked the tank that fateful night. This caused the temperature and pressure to rise to over 400 degrees Fahrenheit, much beyond the scope of the storage tank. The presence of corrosive iron in the MIC pipes added to the rising temperature and pressure. Toxic gases were released into the unsuspecting residential neighborhoods of the city.

THE PROBLEM

As Razia struggled to cope with her personal loss she could not help wondering as to what had transpired. Who was responsible and why had this happened.

DISCUSSION QUESTIONS

1. Conduct a PEST analysis and SWOT analysis for Union Carbide operations in India before and after the Bhopal disaster?
2. Discuss the manufacture of MIC by Union Carbide in India? Did UCIL conform to the safety standards? What were the reasons behind UCIL's decisions?
3. How could UCIL have avoided this disaster?

UNION CARBIDE INDIA LIMITED: A NEVER ENDING TOXIC NIGHTMARE

INSTRUCTORS MANUAL

CASE SYNOPSIS

The case study offers an account of the horrific gas tragedy which occurred at the UCIL gas plant site of Bhopal in Northern India in 1984. The case probes into the background, attitude and motivation of Union Carbide – the UCC which is the parent company of the Indian branch UCIL, leading to the fatal disaster.

The case maps out the horrific story of the Bhopal Gas tragedy through the eyes of a survivor, Razia Khan. Razia and her husband's family were at the time of the tragedy living in one of the larger residential units near the plant. Razia wakes up on the night of 3rd December to terror, death and suffers a great personal loss. The names of the concerned survivor and her family have been disguised for confidentiality and privacy.

RESEARCH METHODOLOGY

This case has been developed using secondary sources of data. The authors collected information pertaining to Union Carbide and the Bhopal disaster from books, journal papers, web sites and brochures.

PURPOSE

This case could be used to discuss topics pertaining to multinationals operations in foreign locations, business ethics, corporate accountability and implementation of safety regulations. It can be employed in the subjective areas of International Business and Business Ethics to gain insights about multinational operations, their operations, policies and it's subsequent in terms of safety regulations, environmental issues and corporate code of ethics and social accountability and cross cultural issues.

TEACHING OBJECTIVES

The role and power of multinational corporations (MNCs) over the social and economic outcome of a country is unthinkable. Especially, from the view point that corporation executives can do whatever they pleased, including what they deem to be "socially responsible, as long as their expenditures can be justified as benefitting shareholders over the long term" (Reich, 1988: 76). In fact large MNCs have become disconnected from the political system of their parent country with their senior corporate officials being accountable primarily to themselves.

This concentration of power within MNCs with a complete absence of external accountability has led to a demand for more meaningful standards and effective mechanisms of social accountability. Corporate management has become completely autonomous. Shareholders no longer exercise any meaningful control over the social actions of their companies. Employees have also been relegated outside the boundaries of corporate accountability. Even though the government can exert some control over the corporation's health and safety measures. This is remarkably ineffective considering the power and influence of contemporary multinational corporations.

MNCs are able to easily pressurize their workers to work under lax safety standards, lack of proper training and information to enhance profitability of the corporation regardless of the social outcomes. In other words, in the greed and preoccupation for profits and higher

financial returns, a company could ignore pollution or health and safety controls in the long run. Yet, a company not only has an implicit social contract with its stakeholders but also with its workers, individual investors and also consumers, suppliers and communities in which the company functions.

There is thus, a need to reexamine existing tools of corporate accountability, to give equal weightage to environmental and health care factors and responsibilities of the MNC.

Examining Corporate Accountability

The concept of examining social performance of major corporations is not new. In fact, there is extensive critical literature on the social performance of large corporations. Some of the most pioneering work on corporate “social audits” has been done by Medawar (1979) and his associates at the Transnational Information Centre in Britain. Other research efforts consist of Mokhiber’s (1988) work on corporate crime and the work of the International Organization of Consumers Union and the Japan based Pacific Asia Resource Center. The basic premise of these studies is that “those who cause harms should provide redress on equivalent remedies for those harms” (Dembo, Morehouse and Wykle, 1990: 6). But powerful MNCs through aggressive public relations campaigns are able to disseminate vast amounts of misinformation to project a false image about themselves to the public. Government regulations, legal laws and industrial self regulations on health, safety and environment seem to be inadequate to provide adequate protection to the public. It is therefore essential to move from social responsibility to social accountability.

New Standards of Corporate Accountability

MNCs, today have become “globe encircling enterprises” whose actions affect the external environment and the people across the world. It is therefore essential to compile a broad set of norms that have international acceptance across the international community—for instance like the International Bill of Human Rights and Universal Declaration of Human Rights.

The Universal Declaration of Human Rights is an instrument which articulates a number of fundamental rights which MNCs should follow and implement. For instance:

“Article 22: Everyone ...has a right to social security and is entitled to realization...of the economic, social and cultural rights indispensable for his [sic] dignity and the free development of his personality”.

Article 23: Everyone has the right to work, to free choice of employment, to just and favorable conditions of work, and to protection against unemployment.

Everyone, without any discrimination, has the right to equal pay for equal work.

Everyone who works has the right to just and favorable remuneration insuring for himself and his family an existence worthy of human dignity...for everyone has the right to form and to join trade unions for the protection of his interest.

Article 24: Everyone has the right to rest in leisure, including reasonable limitation of working hours and periodic holidays with pay.

Article 25: Everyone has the right to the standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care

and necessary social services and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood and circumstances beyond his control” (Universal Declaration of HR, 1983: 7-11).

The only limitation with the above Act is, there is no reference to protection of the environment. It is chiefly concerned with health and well-being of the individual and his or her family. This is covered by Article 25 of the International Bill of Human Rights particularly the International Covenant on Economic, Social and Cultural Rights which states “the right of everyone to the enjoyment of the highest attainable standard of physical and mental health” including “the improvement of all aspects of environmental and industrial hygiene” (International Bill of Human Rights, 1983: 24-33).

In spite of such covenants and instruments existing, there exists evidence of numerous MNCs violating in mass scale. It is time, to bring these instruments recognition as normative standards of behaviors against which the performance of MNCs should be judged.

Culture Based Corporate Codes of Ethics

Additionally, there is a need for establishment of a corporate code of ethics which should be able to influence and assist the decision making of expatriate managers in foreign subsidiaries. Even though MNCs, have developed ethical guidelines for their expatriate managers, problems still arise because of cultural misunderstanding as to what is considered unethical behavior (Donaldson, 1989; Dubinsky and Loken. 1989; Vogel, 1992).

Research studies have revealed a connection between nationality and ethical behavior. An early laboratory experiment analyzed the ethical decision making of graduate business students. The experiment related nationality of the students to their overall ethical behavior (Hegarty and Sims, 1979). Another study based on the levels of idealism and pessimism between managers from France, United States and Germany, connected differences in ethical levels to the cultural backgrounds of managers (Fritzsche and Becker, 1984). While the study of Schlegelmilch and Robertson (1995), conducted on senior executives in the United States, United Kingdom, Germany and Austria revealed that an individual's culture and the industry of his/her occupation have the strongest influence on the perception of ethical issues. US managers were found to be more concerned with controlling corporate information than the European managers. Moreover US managers are also concerned with ethical issues related to drug and alcohol abuse, employee theft and discrimination. The study suggested that cultural backgrounds of managers had an impact on their ethical perceptions. While another study undertaken by Husted et al (1996) also suggests that culture affects one's ethical reasoning. A study of 410 MBA students from the United States, Spain and Mexico, revealed that all students had similar views regarding objectionable practices like unsafe working conditions, unsafe products, favoritism, sex discrimination and harassment, race discrimination and pollution. However there were significant differences in their moral reasoning and ethical justifications.

The literature above, places forth two intervening patterns: (1) people from different cultures do not have the same values and (2) values can be linked to ethical beliefs (Hofstede, 1980; Husted et al., 1996; Schlegelmilch and Robertson, 1995). There is a need to understand the values of different foreign cultures as MNCs expand and establish bases beyond national boundaries. The conceptualization of the host country's values can affect the MNCs relationship to its strategic environment (Rozenweig and Singh,

1991). And also reduce the culture shock which could be experienced by the expatriate managers (Ferraro, 1995). In fact, an understanding of each other's culture, values, and idiosyncratic views of morality could minimize culturally relative and morally absolute forms of unethical behavior.

Cultural Relativism and Moral Absolutism

The notion of cultural relativism refers to equality of ethics across all cultures (Donaldson, 1994). This would mean that all countries have similar ethical standards. Yet, this is not always essentially true, for instance if bribery is acceptable behavior in Mexico it is not tolerated in the US. Therefore, an understanding of the morality of each culture could be extremely helpful to expatriate managers as they try to comprehend and adapt to the cultural ethical differences and dilemmas as they arise.

The inverse of cultural relativism is referred to as moral absolutism (Donaldson, 1994). According to moral absolutism, there is only one universally acceptable set of moral views and behaviors. And this code of morality is used to measure all individuals regardless of their cultural differences (Donaldson, 1994; Ferrell and Fraedrich, 1997).

The philosophies of cultural relativism and moral absolutism are two distinct points of a continuum. To establish a culture based code of ethics, it is essential to take into consideration how each nation views both these philosophical concepts.

Steps for Developing Ethics Programs

The first step towards developing an ethical code of conduct is to establish ethical codes of conduct that are capable of preventing misconduct. The second step is to appoint high level personnel responsible for ethics compliance programs. Third, individuals who are capable of misconduct are not to be given discretionary authority. Fourth, standards and procedures should be communicated via ethics training programs. The fifth requirement is to develop systems which monitor, audit and report any misconduct instances. Sixth, there should be consistent enforcement of standards, codes and punishment; while the seventh step is to ensure continuous improvement of the ethical compliance program (Ferrell and Fraedrich, 1997; U.S. Sentencing Commission, 1994).

Culture Based Framework for a Corporate Code of Ethics

Organizations should undertake a complete analysis of the country and culture with whom they are doing business with. It is then possible to adapt the behavior of expatriate managers in each country. These policies and codes also play a critical role in the moral performance of all firms. Such a culture based style will increase performance, minimize culture shock, and limit the number of unethical dilemmas which may arise during the trade period. The following sections, explain a culture based framework (refer to Figure IM-1) to minimize and reduce the occurrence of unethical incidents (Robertson and Fadil, 1997).

Stage 1: Analyze Cultural Differences --- Hofstede's Differences

In the first stage, the firm should analyze general cultural differences between the two countries, on the basis of four basic cultural dimensions: individualism/collectivism; power distance; masculinity/femininity and uncertainty avoidance (Hofstede, 1980). Next, an ethical code of conduct should be established based on the guidelines desired for the cultural analysis.

Stage 2: Review Dominant Ethical Philosophies

Stage 2 proposes that all organizations analyze the ethical orientation of each nation with respect to deontological and teleological norms. Deontology refers to specific individual actions and behaviors. While teleology focuses on the results and consequences of the individual's behavior and actions (Vitell et al., 1993). This should aid in the development of a more effective code of ethics.

Stage 3: Review Strategic Environmental Variables

In Stage 3 the MNC performs an environmental analysis to identify potential ethical dilemmas. Although environmental factors generally vary from nation to nation and within nations itself. A PEST (political, economic, social and technological) analysis of the host country will lead to more ethical human resource management practices within the MNCs.

Stage 4: The Development of Culture-Contingent Codes of Ethics

After the comprehensive analysis that arises in the first three stages, it is plausible to have identified potential problem areas. The next stage, entails development of a culture-contingent code of ethics which will decrease unethical codes of conduct and minimize harm caused to citizens of foreign nations.

Stage 5: Assessing the Moral Intensity of Specific Ethical Issues

Stage 5 recommends that the MNC analyze the moral intensity of the dilemma from the perspective of the local culture. Different cultures have varying definitions of unethical behavior. The moral perception of each specific issue should be examined to gain insights of the moral intensity of each action. Moral issues usually vary on six elements consisting of the magnitude of the consequences, social consensus, probability of effort, temporal immediacy, proximity and concentration of effort.

Stage 6: Engaging in Moral Behavior

Executives believe that making right decisions can improve the morale of the firm and increase overall performance (Boroughs, 1995; Donaldson, 1994). Managers need lots of information to make appropriate and correct decisions. The culture contingent code of ethics developed guides and directs managers towards the best possible ethical decisions.

Stage 7: Evaluation of Results

Stage 7, discusses the significance of continuous evaluation of ethical performance and adjusting culture contingent codes of ethics to lead to higher ethical performance. The effects of ethical decisions are evaluated and adjustments are made to the codes. Next, documentation of all the evaluations and recommendations along with adjustments are forwarded to the appropriate department or individual responsible for these cross-cultural codes of conduct.

The implementation of the above seven stages pertaining to cultural code of ethics framework would ensure minimization of harm to foreign citizens by MNCs (Robertson and Fadil, 1997).

SUGGESTION READINGS RELATED TO CASE

The following books and articles are recommended for their ability to provide information about the key themes explored in this case. They may be useful for the instructor preparing class and/or could be assigned for students as well.

- Dembo, D.; Morehouse, W. and Wykle, L. 1990, *Abuse of power: social performance of multinational corporations: the case of union carbide*, New York: New Horizon Press.
- Dinham, B. and Sarangi, S. 2002. "The Bhopal gas tragedy 1984 to? the evasion of corporate responsibility", *Environment and Urbanization*, 14 (1), 89-99.
- Robertson, C. and Fadil, P. 1997, "Developing corporate codes of ethics in multinational firms: Bhopal revisited", *Journal of Managerial Issues*, Winter, 10 (4), 454-68.
- Trotter, R C, Day, S G. and Love, A E 1989, "Bhopal India and union carbide: the second tragedy", *Journal of Business Ethics*, 8 (6), 439-454.

TEACHING METHODS

The following is a sample teaching plan for a 60 minute class:

- | | |
|--|---------------------|
| 1. Distribution of case and discussion questions | 7 days before class |
| 2. Discussion on role of multinationals: power and abuse | 15 minutes |
| 3. Discussion on Cross Cultural Communication Issues | 15 minutes |
| 4. Review of possible answers for the case study | 15 minutes |
| 5. Summarize and discuss the answers | 10 minutes |
| 6. Wrap up and comments | 5 minutes |

It is recommended that the following questions be provided to students ahead of time so that they get time to reflect on possible responses prior to the class.

Q1. Conduct a PEST analysis and SWOT analysis for Union Carbide operations in India before and after the Bhopal disaster?

Q2. Discuss the manufacture of MIC by Union Carbide in India? Did UCIL conform to the safety standards? What were the reasons behind UCIL's decisions?

Q3. How could UCIL have avoided this disaster?

DISCUSSION QUESTIONS

Q1. Conduct a PEST analysis and SWOT analysis for Union Carbide operations in India before and after the Bhopal disaster?

Ans. Before the Bhopal disaster

PEST Analysis

Political Factors

1. India was on the verge of high input Green Revolution and the Indian government needed pesticides to deliver the results promised to its population. This made Indian market very lucrative for Union Carbide.

2. UCC built the Bhopal plant to manufacture pesticides such as Sevin for Indian market. Later to maintain its license in India, it was forced to construct another plant in Bhopal.

2. UCC had the reputation of being a multinational with large number of financial and technological resources; therefore it was allowed to own 51 % of the stock with the balance being held by the Indian government and other financial institutions in India.

Economic

1. Initially Union Carbide's operations in India were profitable but later the market stagnated and never reached its estimated level of promise. UCC management decided to maximize profit and minimize loss and thus cut down on its operating costs.

2. Employees were retrenched, the plant started to operate with unskilled workers, lax safety regulations and training opportunities were reduced.

Social

1. The company's image from a successful multinational giant was changed to a "two faced MNC which lacked moral values, ethics and social and corporate accountability with regards to safety and environmental concerns" in the Indian media.

2. It emerged as a company not aware of differences in cross cultural communication issues

Technological

1. The plant was operating below capacity and was partially shutdown. It possessed ten safety deficiencies.

2. The refrigeration unit designed to cool MIC was malfunctioning.

3. Machinery parts were missing such as valves, pressure gauges were missing and this caused the plant to malfunction.

4. Employees lacked training, and manuals were not written in the local language. They were written in English language making it unsuitable for Indian employees.

5. The plant lacked proper safety equipment in the form of masks etc

SWOT Analysis

Strengths

1. The company had an admirable safety record and tremendous financial stability.

2. UCC was the third largest chemical producer in the United States, following DuPont and Dow Chemical.

3. The Bhopal represented 3% of UCC worldwide profit and less than 2% of the corporation's net income and was not critically important to UCC's overall operations.

Weaknesses

1. UCC was not managing the Bhopal plant properly. The plant and equipment was allowed to deteriorate. Lack of qualified employees, lowered entrance standards led to increase in potential accidents.
2. The original twelve operators assigned per shift were decreased to six and the workforce was allowed to drop from 1500 people to 950 people.
3. Job entrance requirements were reduced in classification and filled by high school graduates with little or no previous work related experience.
4. The company lacked knowledge regarding cross cultural problems. There were clearly differences in both the countries values and assumptions culturally and ethically.

After the Bhopal disaster

PEST Analysis

Political

1. The Indian Government blamed UCC for the disaster. In fact it did not allow UCC Public Relations team to enter the country in 1985.
2. The Madhya Pradesh state government stated that UCC had not taken heed due to the fact that India was a third world nation. If the problem had arisen in USA in a major industrial state such as Texas, UCC would have immediately halted the production of MIC. But the country being a developing third world country such as India this was not done.
3. Relations between the two countries, India and USA deteriorated beyond repair till the 1990s. In fact the situation became critical as Indian authorities arrested the CEO of UCC, Warren Andersen. Further, in 1988, the Bhopal magistrate issued a warrant for Anderson on murder felony charges.
4. In the US, the federal government increased scrutiny of health and safety protocols. The Reagan administration increased the testing required under the law that governs the production and use of hazardous chemicals.
5. France, Brazil and Germany halted the production, shipment and storage of MIC from UCC.

Economic

1. Union Carbide emerged unscathed from the tragedy. Its new CEO, R. Kennedy immediately set about revamping and rebuilding the organization. Kennedy initiated a massive public relations program where the blame was put on Indian authorities.

2. UCC remained a major international corporation with considerable financial strength with \$200 million worth of insurance and more than \$200 million in reserve accounts.
3. UCC's stock price fell initially. In 1985, the company was forced to purchase stock to prevent a hostile takeover by GAF Corporation. UCC took a financial hit in 1985 with a debt of over \$581.

Social

1. UCC lost out on global goodwill and was portrayed as showing the face of 'big bad corporate America.' Its poor public relations strategy dissatisfied the Indian public and the authorities.
2. The community of Bhopal suffered – the Indian Council of Medical Research and the Sambhavana Trust established in 1995 conducted more than 900,000 research studies detailing the destructive health effects of the MIC leak.
3. UCC management continued to downplay the ugly medical effects of the tragedy. It released a press statement to this effect in 1996 claiming that a one time exposure to MIC did not have any health risks.
4. Hospital authorities including the doctors at Sambhavana Trust continue to battle with the medical aftermaths of the tragedy even after 30 years. Unborn children, toddlers and adolescents at that time, now suffer from chronic cancer, breathlessness, blindness, mental disorders, skin diseases, fatigue and muscular irregularities. Children in Bhopal carry with them genetic abnormalities which are incurable.
5. Tens of thousands lost their jobs and the once- prosperous community of Bhopal has been reduced to a state of poverty.

Technological

1. UCC could not revive its dwindling fortunes in the long run. It had to immediately cease operations of its chemical unit.

SWOT Analysis

Strengths

1. The Bhopal tragedy united the Indian people. The Indian authorities claimed a whopping compensation of \$3 billion from the company.
2. UCC managed to evade all responsibility for the tragedy attributing it as an 'accident – a careless mistake.' The company did not suffer financially as stocks continued to rise after the tragedy. The 1986 financial ratio analysis of the company accounted for a gross profit of more than 31%.
3. UCC managed to transfer all compensation claims cases from the United States Courts jurisdiction to Indian courts. This assured UCC that it would incur significantly less legal charges owing to the Indian exchange rate. A majority of the compensation claims cases are still pending.

4. UCC also managed to garner the support of the 'developed' financial world. Not one MNC demanded and recognized the horrific tragedy and saw UCC as the major culprit. The financial world turned a blind eye to the enormous suffering.
5. UCC blamed the 'poor transportation' system including the peculiar norms, culture and work practices as the primary reason for the disaster. In doing so, the company managed to evade all corporate special and moral responsibility.

Weaknesses

1. Third world developing countries in Asia raised the standard of safety regulations making it difficult for MNC's to establish bases in Asia.
2. There was a huge social and health hazard. Millions of people lost their lives including livestock. Children were buried alive in the rubble or crushed to death in the stampedes. The Indian Medical Research Council and the Sambhavana Trust are still grappling with this long term health hazard. Unborn children, toddlers and adolescents now carry genetic abnormalities, mental and skin diseases, blindness and chronic muscular irregularities. Women who were pregnant at the time of the tragedy have been affected with tuberculosis, lung cancer and reproductive diseases.
3. Millions lost their job as many wait endlessly in courts seeking 'justice' for their suffering. In November 2001, the US Second Circuit of Appeals recognized the environmental damage done by UCC. It held UCC and then chairman, Anderson culpable for environmental contamination. Individual cases are still being heard in Indian courts.

Opportunities

1. In Feb. 2001, UCC was taken over by Dow Chemicals. Dow has expanded operations in India owning four subsidiaries. Dow now seeks to build its base in India adhering to strict safety protocols set by Indian authorities.

Q2. Discuss the manufacture of MIC by Union Carbide in India? Did UCIL conform to the safety standards? What were the reasons behind UCIL's decisions?

Ans. The manufacture of MIC at the Bhopal plant was 'indianized' to reduce the production expense. At the Bhopal plant, the chemical reactions of raw materials were conducted in a contrary manner of normal MIC production in the US. MIC production in US involved reacting the raw material of phosgene with naphthol to form chloroformate ester which was then reacted with methyl amino to form carbaryl. At the Indian site, raw materials of methyl amino and phosgene were reacted to develop MIC. This was then combined and reacted with 1- naphthol to form the final product of carbaryl. This method was unsafe, unreliable but inexpensive. The use of sophisticated instrumentation was negligible. This suited the UCC management as the primary reason for establishing a base in India had been to take advantage of the agricultural boom. UCC was in India for monetary reasons and not to serve any moral and social organizational responsibility. This becomes apparent by considering UCC's behavior. It began massive downsizing when agricultural production fell in India. It did not realize that such sudden and huge downsizing would have adverse implications.

All safety standards were duly ignored to cut costs. Cheap cost-effective tools were used. The safety audit reports duly prepared by the team of UCC safety inspectors which

revealed a total of 61 hazards did not yield any significant result. The situation worsened in 1983 when the company laid off 335 men at the site, saving \$1.25 million. Safety manuals were re-written to permit switching off the registration unit and shutting down the vent gas scrubber when the plant was not in operation. Cost-cutting measures continued reducing the number of control room operators to just one controlling over 70 panels. The MIC plant crew was also reduced from 12 to six men. Safety manuals and all instructions were written in English which further deteriorated matters. Labor force at Bhopal was uneducated and had no knowledge of the English language. In addition, employees began to be given safety training for only 15 days. Even the plant siren remained dysfunctional.

In short, the UCC management can be blamed for not seeing and recognizing the signs of a horrific disaster.

Q3. How could UCIL have avoided this disaster?

Ans. UCC failed to frame their organizational function and ethic to suit local community needs and demands. There was no point in having English safety manuals when the workers did not know the language. Coupled to this, the enormous risk of downsizing of skilled operators also contributed to organizational dysfunction. It failed to take into account the safety audit report by its own team of safety experts and, went ahead with its monetary agenda. It did not follow safety protocol and unleashed a nightmare of horrific proportions on the innocent and unsuspecting community of Bhopal. The company ignored its moral and social responsibility to the community. UCC should have paid heed to the report and implemented all safety standards. It should have held back on cost cutting and downsizing measures – perhaps undertaken them in a slow and methodical fashion allowing the plant operations to adjust to the changed circumstances. It should have re-written the safety manuals in the local language. This would have gone a long way in proper safe operation of plant machinery. UCC management could have saved on expenditure if it had thought of the larger picture in the long run. Failure to think of its social and moral obligation as an organization only led it to take alarming cost reduction measures. The plant operation could not sustain and keep functioning at a normal pace with these enormous changes. A short term myopic vision and thought led UCC management to commit grave erroneous mistakes.

Culture Based Framework for a Corporate Code of Ethics

Stage 1: Hofstede's (1980) research indicates that Indian citizens are highly collectivistic in nature as compared to US who are individualistic. India has high power distance in comparison to US where it is relatively low. Both Indian and US cultures are masculine in nature, i.e., people are assertive, there is a general acceptance that men are supposed to work while women stay at home and accumulation of wealth is very important. Finally both US and India have low uncertainty are more acceptable to personal risk. This cultural analysis reveals partial differences in terms of societal norms and values between India and USA. India differs on two accounts, people pay heed to power, titles and designations and are not accustomed to criticizing their superiors and prefer to work in teams rather in competition to each other.

Stage 2: Review Dominant Ethical Philosophies

UCC should have researched the ethical orientation of Indian workers before deciding its stand regarding ethical and safety rules and regulations within the Bhopal Plant.

Stage 3: Review Strategic Environmental Variables

Under take a PEST analysis and SWOT analysis which would reveal political instability and lack of welfare programs in India and lack of technological developments which necessitates intense technical training sessions for key host country personnel.

Stage 4: Development of Culture-Contingent Codes of Ethics

Based on the cultural factors and PEST and SWOT analysis, UCC should have established a code of ethics or guidelines which its expatriate managers would need to follow. The MNC could have imposed fines and penalties for defaulters and extensive ethics training programs for its managers and employees to ensure implementation of its program.

Stage 5 and Stage 6: Assessing and Engaging in Moral Behavior

The moral intensity of all its decisions should be considered and weighed by UCC managers before implementing them.

Stage 7: Evaluation of Results

The MNC parent company should have conducted regular ethical checks on its subsidiary in India to ensure all ethical and safety standards were being followed and implemented.

EPILOGUE

The toxic poisoning of people by Union Carbide still continues in Bhopal even today. The nightmare which started on 3rd December 1984 for the residents of Bhopal has still not ended.

- Thousands of people died on 3rd Dec. night, according to the estimate of Union Carbide it is 3,928 but according to municipal employees who removed the corpses it was more than that. 1,70,000 people were treated at hospitals and temporary dispensaries. While a total of 5,20,000 people were “gas affected”.
- Residents of Bhopal suffered and are still suffering from the aftermath of the gas leakage. Symptoms include burning in the respiratory tract and eyes, blepharospasm, breathlessness, stomach pains and vomiting. Findings from autopsies revealed problems in lungs, tubular necrosis of the kidneys, cerebral oedema, fatty generation of the liver and necrotizing enteritis. The still birth rate increased up to 300% and neonatal mortality rate by 200%.
- UCC offered US\$350 million, the insurance sum.
- The Government of India claimed US\$ 350 billion from UCC.
- In 1989, a settlement was reached where UCC agreed to pay US\$ 470 million as a full time and final settlement of its civil and criminal liability.
- UCC built a 500 bed hospital, Bhopal Memorial Hospital and Research Centre (BMHRC) to provide medical treatment and care for the survivors.
- Widow pension of the rate of Rs 200 per month (later Rs 750) was provided to the surviving families.

- One time ex-gratia payment of Rs 1,500 was given to families with monthly income of Rs 500 or less.
- All claimants had to prove in court “beyond reasonable doubt” that death or injury in their case was directly attributable to exposure. In 1992, 44 percent of the claimants still had to be medically examined by a doctor.
- From 1990 an interim relief of Rs 200 was paid to everyone who was born before the disaster.
- The final compensation for personal injury at present is Rs 25,000 and a death claim was Rs 62,000.
- As of 2008, UCC still has not released information about the composition of the gasses which leaked on the fatal night of the disaster.
- Doctors and Hospitals are still unable to provide proper treatment to Bhopal gas leakage patients because of lack of complete information about the MIC gas composition. All medical treatment is limited to providing temporary short term relief to the survivors.

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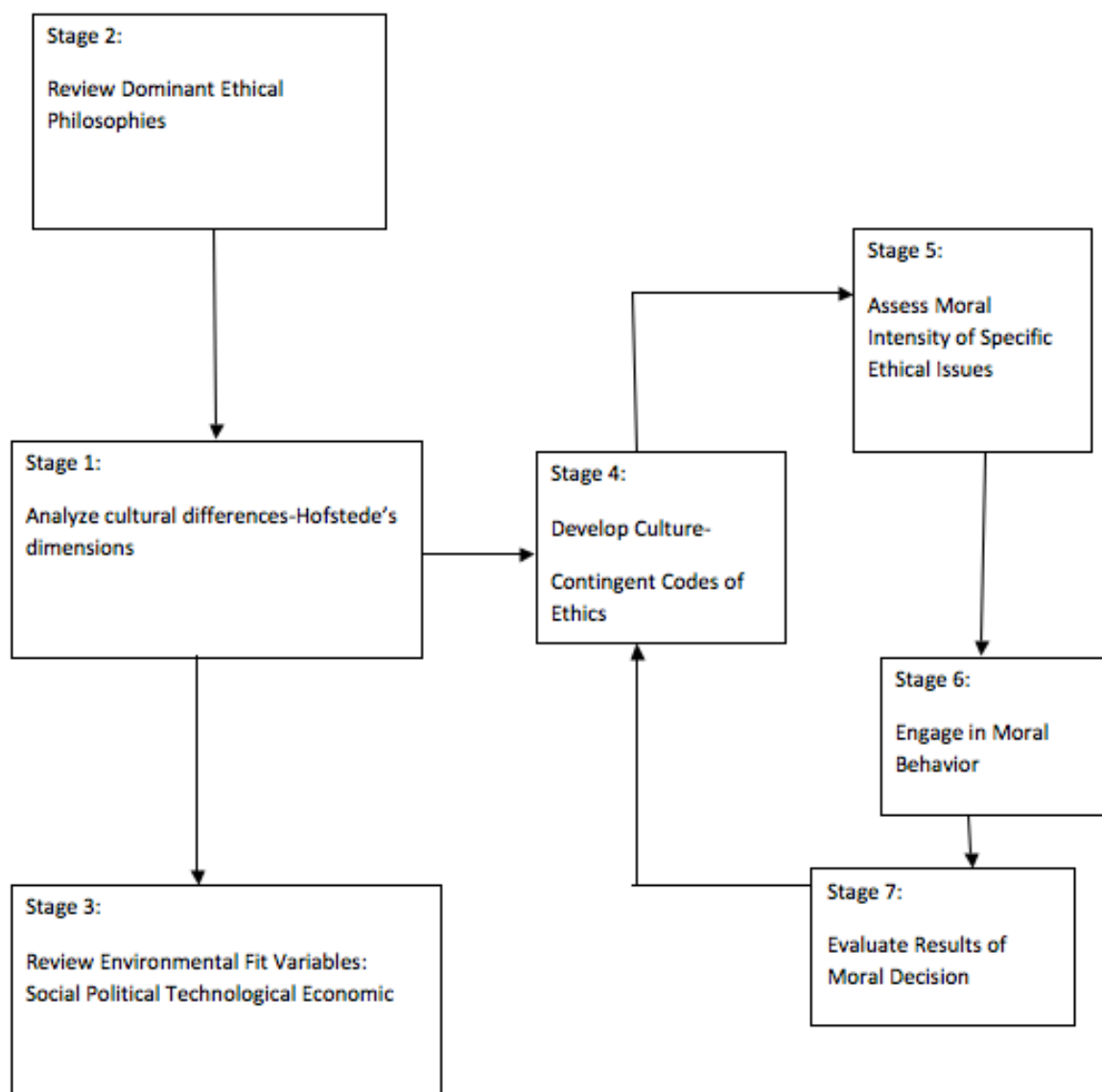
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Figure IM-1: A Culture=Based Framework for Corporate Codes of Ethics



(Robertson, C. and Fadil, P A 1998, "Developing corporate codes of ethics in multinational firms: Bhopal revisited", Journal of Managerial Issues, Winter, 10 (4), 454-468.

Humorous Celebrities endorsing high risk products: A Review of Current Knowledge and Research Gaps

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Abstract

The use of a celebrity endorsement can be described as a quite recent trend in the advertising campaigns of Polish banks. Furthermore, despite the suggestions that humour and celebrities trivialise high risk product, among all Polish banks' campaigns using celebrities, during last 5-6 years, about 60% were humorous or featured comedians. Nevertheless, despite the widespread use of celebrity endorsements and humour in television advertising, there is a lack of research on this topic from a Polish perspective. In addition, although there has been an extensive coverage of changing brand image, celebrity endorsement and humour in advertising international literature, there has been little attempt to link this literature to illustrate the usage in advertising of endorsement by humorous celebrities as a tool in changing the brand image of high risk products.

PKO Bank Polski's campaign was chosen as a noteworthy example joining all three main themes of this research study. The main purpose of the strategy for PKO BP is to change the bank's traditional, slow, bureaucratic, state-owned image to a modern, progressive, friendly one in the mind of its primary target audience (aged 18-40). PKO Bank Polski is the largest bank in Poland, and one of the oldest. More importantly for this research study is that the bank has spent the most (over 137 mln zł/over £27m) among Polish financial institutions in 2011 on advertising and is already claiming recruitment success.

This paper concentrates on the main research themes which cover: advertising, humour, humour in advertising, celebrity endorsement and brand image. It presents a review of current knowledge of the use of humour in advertising as a tool in changing the brand image of a high risk product. High and low risk products typology is based on Weinberg and Gulas' Product Color Matrix PCM which explains the effect/appropriateness of humour with different goods and services. The literature review will also highlight areas for research and gaps in knowledge.

Keywords: humour in advertising, celebrity endorsement, brand image change, high risk products, banking

Introduction

Advertising extends back to the very beginnings of formalized trade. Written advertisements can be found on parchment and papyrus, engraved on walls in Pompei, while Babylonian bakers shouted the availability of wares (Gulas and Weinberger, 2006). For the first few thousand years, people used advertising to promote two things: locations and services. The purpose of the advertising was to gather people together in one form or another, whether as an audience for a show, as recruits or as customers. It was not until the Industrial Revolution at the beginning of the nineteenth century that true product advertising began. This was because, for the first time, products were being mass produced rather than made to order (Taflinger, 1996). During, but also after the Industrial Revolution, the market situation for branded articles was not yet comparable to the

present day situation when there are so many products competing for the consumers' pound, zloty, or euro.

Advertising, therefore, has become an ubiquitous and an inseparable element of reality which accompanies consumers to work, spends time with them at home, on the streets and on the Internet. Indeed the world is profoundly changing in the way products and services are valued, communicated, bought and delivered. Moreover, advertising is an incredibly important communication tool for marketers as they can use it to build strong brands, elicit loyalty and enhance market share for organisations. This is achieved through advertising by creating interest in the product and developing the relevance and emotional connection of the product with the consumer (Ammani, 2009). Advertisers have long believed that advertising must arouse some emotion to be effective. This affective response is important for two main reasons. First, the key to branding is the triggering of a meaningful emotional response, which is often, and perhaps always, the major benefit of using the particular product. Second, the process that consumers go through in deciding what brands to buy has a heavy emotion-based dimension to it. In both cases, advertising can be an effective source of enhancement of these emotional responses (Mehta and Purvis, 2006). Various creative techniques and methods are used to gain emotional connection and to attract attention, these include humour, celebrity endorsement, empathy, parody or an especially entertaining presentation. Obtaining the attention of consumers who are, in fact, nowadays exposed to a large number of advertisements, is a significant challenge for advertisers. Currently humour is one of the most commonly used emotional appeals in global advertising (Hatzithomas, Zotos and Boutsouki, 2011).

Humour in Advertising

Advertising

There are many definitions of advertising. Kotler and Armstrong's definition is: "Advertising is any paid form of non-personal presentation and promotion of ideas, goods or services through mass media such as newspapers, magazines, television or radio by an identified sponsor" (Kotler, Armstrong, Wong and Saunders, 2008). Wells, Burnett and Moriarty consider it to be paid non-personal communication from an identified sponsor using mass media to persuade or influence an audience (Wells, Burnett and Moriarty, 2003). The classic definition of advertising is: "Advertising is the non-personal communication of information usually paid for and usually persuasive in nature about products, services or ideas by identified sponsors through the various media" (Bovee and Arens, 1992). Clearly the authors agree advertising is a function of mass, non-personal communication.

Boddewyn (1989) cited in Harker (Harker, 2000), goes on to say that advertising is the most visible part of the marketing communications mix. Therefore, advertising is key in creating awareness and demand and builds positive psychological associations that can enhance buyer satisfaction. The consumer's interest is provoked and sustained in the product.

The purpose of advertising is to make potential buyers respond more favourably to an organisations offer over that of competitors. Advertising, therefore, provides information to customers, creates and modifies their desires and provides reasons for preference. Captivating and persuasive advertisements create wants and needs through passive

compulsion, which in turn makes consumers desire the product in question. Therefore, advertising creates demand, and accelerates the growth of the gross domestic product. It also helps society by improving competition, lowering prices, encouraging more product choices, supporting the media and providing information (Ammani, 2009).

In the last fifteen years, the means of transmitting advertising influence through the media has changed dramatically. Television still is the dominant medium, but commercials can now be received on different platforms. Mobile technology has given marketers the ability to advertise at the right time and place. Similarly, social networks have increased the multiplier effect of word-of-mouth advertising so that viral marketing strategies are now commonplace (Assael, 2011). YouTube, Facebook, and Twitter can be regarded as the “new” media.

Whilst social media are important most organisations continue to spend a great deal of money on television advertising as presented in the chart below.

Table 1 Advertising expenditures in Poland

year	Total milliard zł/billion euro	TV (% of total)
2007	6,8 /1,7	50,3%
2008	7,8 /1,9	51,8%
2009	7,0 /1,75	52,0%
2010	7,3 /1,8	52,5%
2011	7,1 /1,77	53,5%
2012P	7,2 /1,8	53,5%

Source: Starlink (www.starlink.pl) and ZenithOptimedia (www.zenithoptimedia.pl)

Introduction to Humour

Humour has been a point of debate, both in general and by academics, for hundreds of years. An all-encompassing, generally accepted definition of humour does not exist. Gulas and Weinberger (Gulas and Weinberger, 2006, p.22) suggest that “humour is the rubric most accepted as the stimulus evoking an intended or unintended pleasurable effect often resulting in a form of subdued or exuberant laughter”. Stern (Stern, 1996) substituted humour by the term comedy when referring to stimulus-side phenomena, and the term laughter to response-side effect (which may or may not result in laughter).

Humour was not always seen in the contemporary meaning - the Freudian comical approach. However, theories of humour, fall broadly into three broad categories: superiority (affective-evaluative theories), cognitive-perceptual (including incongruity theories) and relief (including psychodynamic theories) (Salomon and Singer, 2011).

The first theory of humour, Superiority Theory, claims that all humour involves a feeling of superiority to varying degrees. Indeed Plato regarded humour as evil, as perhaps he regarded humour as being partly based on malice and envy (Attardo, 1994). Aristotle also regarded humour as evil, in the Rhetoric (II, 12 quoted in Salomon and Singer (Salomon and Singer, 2011) where he defines wit as “educated insolence”, and in Nicomachean Ethics (IV, 8, quoted in Salomon and Singer, 2011) he describes jokes as “a kind of

abuse” which should ideally be told without producing pain. However, Hobbes (1840, quoted in Shibles, n.d.]) goes on to say that humour represents superiority and the ability to ridicule or laugh at others (Shibles, n.d.). Thus Hobbes (1840, quoted in Shibles, n.d.) introduced Superiority Theory which stresses ridicule of others, or laughing at others. This asserts that humour can be used to show that: “I’m better than you are.” Hobbes (1840, quoted in Shibles, n.d.) also wrote that laughter is: “nothing else but sudden glory arising from a sudden conception of some eminency in ourselves, by comparison with the infirmity of others, or with our own formerly.”

Schopenhauer, one of the writers on cognitive theories, states that humour is to wrongly subsume under the abstract (Stewart, 1967). “The cause of laughter in every case is simply the sudden perception of the incongruity between a concept and the real objects which have been thought through it in some relation, and laughter itself is just the expression of this incongruity” (Shibles, n.d.).

Relief theory, is another concept derived by a group of psychological theories, which focuses more on the biological function of laughter than emotions involved in laughter (superiority theory) or objects or ideas causing laughter (incongruity theory). The idea behind tension-release and arousal theories is that the release from physiological or emotional strain, tension, or anxiety that we get by laughing is something we naturally do in order to return ourselves to a comfortable and steady state (homeostasis) (Beard, 2008, p.45). Mary K. Rothbard (Beard, 2008, p.47) states that when individuals find something funny when they experience a state of anxiety or uncertainty for the safety or well-being of ourselves or someone else. The tension is relieved when we can make a safety judgement either that the object of the anxiety is safe or negative consequences insignificant - (arousal-safety version of relief theory).

The basic functions of humour are: a release of aggression (e.g. racist humour), a release of sexual tension, educational (e.g. satire), defensive (e.g. black humour, political humour), intellectual (e.g. nonsense, word play, abstraction), cathartic (e.g. political humour).

Humour in advertising

Although the roots of early advertising can be traced with some degree of certainty, the origin of humour in advertising is less clear. Humorous advertising may predate widespread literacy eg. signage, which was a dominant form of commercial communication throughout much of human history. The roots of intended humour in advertising extend back to pub signs in the 1500s.

Although advertising is an ancient form of communications, early advertisements tended to be very rudimentary and it was not until 1700’s some print advertisers in England began to inject creativity into the medium. One of the pioneers was George Packwood, a razor strops seller, whose announcements were entertaining to his audience. Packwood used many types of humour e.g. jokes, riddles, puns or parodies (Gulas and Weinberger, 2006).

As can be seen in the previous section, humour is a complex topic and is not always considered to be seen in a positive light. It has had strong opponents as well as supporters (e.g. Joe Sedelmaier, famous commercial director, best known for humorous Fed Ex’s commercial “Fast Talking Man” from 1981) among people from the advertising industry. Claude Hopkins and David Ogilvy are eminent advertisers who are strongly

opposed to using humour in advertising. Ogilvy stated “People don’t buy from clowns” (Ogilvy, 1963, p.98). Despite that it has been experimentally studied by advertisers, academics and researchers over the past thirty years (Markiewicz, 1974; Chattopadhyay and Basu, 1989; Alden, Hoyer and Lee, 1993; Alden, Mukherjee and Hoyer, 2000; Eisend, 2009).

In addition to jokes there are many techniques used in television advertisements that use humour such as:

- a pun – the humorous use of a word or phrase in a way that suggests two interpretations,
- irony – the use of words to express the opposite of what one really means,
- satire – sarcasm used to expose vice or folly e.g. to show the silly behaviour of people who have not bought a certain product yet,
- pastiche - a technique employing a generally light-hearted tongue-in-cheek imitation of another's style - although jocular, it is usually respectful e.g. the “Ociec prac!” washing powder Pollena2000 campaign.
- hyperbole – exaggeration to emphasize qualities of the advertised product.

Ogilvy (1963) stated: “It's not creative unless it sells” and, of course, the main goal is to sell not to entertain. Therefore, whilst humour may be popular with audiences, the successful use of humour in advertising is something that many brands seem to want, but there is limited research as to the positive results achieved.

Advertising is getting more and more demanding in Poland. Although 86% of people do not like advertisements (CBOS, 2011), CBOS also discovered that people with a positive attitude towards advertisements actually like humorous advertisements. However, even a strong response of liking does not settle the issue of effectiveness.

Examples with positive results:

1. One of the most famous campaigns where humour was used effectively was the 'Love & Hate' concept which began in 1996. According to Rupert Pick, marketing manager for Marmite, Marmite achieved an additional £50m worth of sales in which the use of humour has played a huge part (Marketing Magazine, 2005).
2. The TV commercials of Polish telecommunication operator PlusGSM with the Mumio cabaret were a great success. Audiences remembered the brand and the offer. Polkomtel S.A. gained over two million clients after just a few months of its campaign. The company reached second position in the market after two years and its share of the market increased from 30.8% in 2005 to 33.5 % in 2007 (Dębek, 2007).
3. The PKO BP S.A. 2011 campaign attracted 220 000 new clients. According to ARC Rynek i Opinia research PKO BP TV spots are the most recognisable bank advertisements in Poland (Wyborcza.biz, 2011).

The above examples are successes, but over the years there are problems to consider. The following sub-sections highlight some of these problems.

1. Humour and message.

What communication goal determines the use of humour in advertisements? Is it influence on attention (Madden, 1982; Duncan and Nelson, 1985; Wu, Crocker and Rogers, 1989), brand recognition (Belch and Belch, 1984), purchase intention and

persuasion (Weinberger and Campbell, 1991; Geuns and De Pelsmacker, 1998), comprehension (Chung and Zhao, 2003) or liking (Brooker, 1981; Chattopadhyay and Basu, 1989)? Though pleasure may be the audience's reward for viewing and hearing a humorous advertisement, they are not likely to be the sole or primary reason that advertisers employ humour. But businesses use humour in their advertising message as it may be the only strategy in a telecommunication market where prices and conditions are almost equal. However, humour may distract attention from the message and destroy marketing strategies.

2. Humour and client.

The perception of humour depends on numerous factors, therefore we need to ask who should be the audience of humorous advertisements? More and more demanding, novelty seeking customers are also the reason for using unconventional and shocking campaigns. However, the research of Flaherty, Weinberger and Gulas (2004) suggests, that if an ad intended as humorous is not perceived as humorous, its effectiveness can be seriously diminished.

3. Humour and success.

Success in one case does not guarantee success in another. Humour is a multifarious concept that is affected by a wide variety of factors. As a result of the many contingencies imposed by desired goal, type of humour, medium, placement and audience, generalizations about the effect of humour are fraught with pitfalls (Stewart-Hunter, 1985). The successful PlusGSM campaigns with Mumio cabaret need to be seen alongside the failures of other advertisers e.g. the ING campaign with Stanislaw Tym and Michał Kotorski, or the Cisowianka campaign with Kabaret Moralnego Niepokoju.

4. Humour and product

Marc Weinberg and Charles Gulas (2006) developed The Product Color Matrix PCM to explain the effect/appropriateness of humour with different goods and services. The matrix is based on two dimensions – the risk (based on price) and emotional or rational character of the purchase. The PCM uses colours to highlight the meaning of products. According to their research the levels of risk have to be considered when deciding to use humour in advertising.

They use colours: white, red, blue and yellow as shorthand for the exemplar products which represent each group. White “bigger tools” are products such as large appliances, business equipment or insurance and red goods “bigger toys” emotional products – a sports car, fancy tie or red dress are high risk products because there is the risk involved with the choice. Lower risk products are – blue “little tools” such as motor oil and gas or household cleaners and yellow “little treats” which are the day-to-day rewards to which we treat ourselves, such as gum, snacks, soft drinks.

According to the above research, low risk yellow products “little treats” and red goods - high risk, can be effectively advertised with humour, whereas humour is less suited with high (white) and low risk (blue) functional products. In addition, they took media into account – it appears that yellow goods are most suited to humour, while red goods are the least suited.

Furthermore, white and red high risk products have the lowest levels of humour usage (Gulas and Weinberger, 2006) and humour is less suited to these products. These products require some consideration because of the high financial risk and, in the case of the red goods, additionally, social risk. Therefore, financial services, insurance or children's education should be wary of using humour in advertising as these are considered high risk products. Eisend's (2009) research, based on above typology, goes on further and considers the appropriateness of humour in advertising in relation with another factor: thematic link between product and humour.

Furthermore, the study of Sutherland and Middleton (1983) demonstrates a negative relationship between comprehension and high involvement products. Humour may appear to trivialize the importance of high involvement services. Likewise, humour may damage business products that have a serious or high technology image (McCullough and Taylor, 1993; Scott, Klein, and Bryant, 1990). These findings illustrate one of the limitations of humour, at least within a cultural context. Consumers are only willing to laugh "at" or "with" certain categories of services/goods.

Additionally, Chattopadhyay and Basu's (1989) research on the prior brand opinion interaction with the delivery of humour in a TV commercial showed that humour enhances the consumer's purchase intent for brands for which they had a positive prior attitude. When the initial brand attitude was negative, the non-humorous commercials worked better. Humour is just one technique to consider when formulating the context and style of an advertisement. Another technique is using celebrities to endorse brands. The following section will consider this technique.

3. Celebrity endorsement

Celebrity endorsement is one of the most popular forms of marketing used to promote a range of consumer products and services. The use of celebrity endorsement can be described as a trend in the advertising campaigns of banks in Poland. Currently every other bank in Poland use celebrity endorsement. There were about 50 celebrities in bank campaigns during last 5-6 years. Furthermore, among all banks' campaigns using celebrities, about 60% were humorous or with comedians (Sadrak, n.d.). In 2010 banks spent a total of 190 million zloty on celebrity endorsement. Over the first four months of 2011, banks spent 237 million zloty (60 million euro) on TV promotional campaigns, with almost half that sum going to Polish celebrities as endorsement fees (Thenews.pl, 2011). One bank, Internet-based mBank, decided to resist the trend with an advertising campaign stating "rather than satisfied celebrities we prefer satisfied clients". However, this strategy seems to be unsuccessful as in 2011 mBank lost its leading position on the market with the highest number of new bank accounts.

The benefits of using celebrities make this form of marketing increasingly appealing to all advertisers. One of them is the ability to grab the audience's attention, giving a better chance of communicating the message to consumers (Choi and Rifon, 2007, quoted in White, Goddard and Wilbur, 2009), celebrity endorsement influences advertising effectiveness, brand recognition, brand recall, purchase intentions and even purchase behaviour (Spry, Pappu and Cornwell, 2011).

However, there are potential risks. The aim of the celebrity endorsement is to transfer (positive) meanings between endorser to the endorsed product or brand. Some studies (Till and Busler, 1998; Till and Shimp, 1998) have also investigated the transfer of negative

meanings and associations from the celebrity endorser to the brand. One of the greatest fears of using celebrities is the possibility of bad publicity arising involving the celebrity endorser (White, Goddard and Wilbur, 2009).

The use of celebrities for commercial purposes is not a one-way process any more. Celebrities became brands (Seno and Lukas, 2007, quoted in Halonen and Knight, 2010), therefore the transfer is bilateral.

Another problem is brands and celebrities 'match-up' (Kenyon and Turner, 2008), they must have similarities. When customers do not see the link between the product and the celebrity, related to physical attractiveness, expertise or other highly relevant characteristics, the campaign might be unsuccessful (Hsu and McDonald, 2002).

3. Brand image

Brand image is variously defined as "the set of beliefs held about a particular brand" (Kotler, 1988, p.197) or "a set of associations, usually organized in some meaningful way" (Aaker, 1991, p.109-10). Keller (1993, p.3) defined it as "the perceptions about a brand as reflected by the brand associations held in consumer memory". There are three important aspects of image: favourability, strength and uniqueness of brand associations. These associations may be formed in one of the following categories: attributes of the product, benefits achieved from the product or attitudes towards the brand. The aim of every firm is to create favourable and positive associations about the brand which results in a positive image of the brand (Keller, 1993).

There are many marketing tools that may be used to create brand image, for instance the product itself, its packaging/labelling, the brand name, the logo, the colours used, the point of purchase promotions, the retailer, the advertisements and all types of other promotions, pricing, owner of the brand, country of origin, even target market and users of product.

Changing the brand image is not necessarily concerned with highlighting a distinctive feature of the product that has changed, but is rather focused on changing the perception of the brand by consumers (Combe, Crowther and Greenland, 2003). This is achieved through the creation different symbols which should differentiate it from the previous image. Brand image change is usually carried out at the level of advertising communication.

Revitalising brand image can be very risky e.g. it can alienate customers who feel loyal to brand they are accustomed to (Kaikati, 2003), however this changes through gradual, incremental modification of its positioning and representation, can be seen a natural aspect of corporate brand management in response to the ever-changing market environment (Gotsi and Andriopoulos, 2007).

4. Case Study – PKO BP a Polish Bank Changing Its Image

In 2010 one of the largest banks in Poland, PKO BP, decided to initiate a programme to modernise its image. This decision led to considerable costs which are estimated at less than 1% of the profit of 3.3 billion zł earned in 2010. Experts developed a plan to change the whole image of the PKO BP, including changing the logo, decorations and even entire branches.

PKO Bank Polski is Poland's largest bank and one of its oldest in continuous operation. Founded in 1919 by the state, PKO Bank Polski became Poland's only retail bank from 1945-1989. The acronym PKO even became a synonym for "bank", and still is for some older Poles. PKO Bank Polski has a market share of 30% as it remains the bank of choice for millions of Polish pensioners remember those for whom PKO still means "bank". Its market share tends to fall amongst younger age groups. People whose adult life began after communism collapsed in 1989 do not treat PKO BP as the only bank they know. For them, it is just one of many and, because of PKO's communist legacy, one that moves rather slowly (Bizpoland, 2011).

PKO BP wants to change its image as an old-fashioned and customer-unfriendly machine into a modern and innovative financial services provider and is making a serious effort to attract younger clients. The bank decided to replace external advertising materials, adjust its marketing materials, update its iconic coin-bank logo, designed in 1967, although all these changes are largely cosmetic. The main and most visible change is the advertising campaign with Szymon Majewski's endorsement, paying him more than \$1 million for a two-year contract. Szymon Majewski, the popular TV chat-show host, entertainer is well-known for unconventional clothes and parody.

It is commonly known that older the generation, which is the majority of PKO's customers, does not like his programmes. The aim of the campaign is to convince younger people that having an account at PKO BP is not outright "unpopular". However, there is a risk that Majewski's "crazy" image can damage the product by trivializing the service and deterring the older generation. In other words the "new image" can damage the brand image which is accepted by the majority of PKO BP's customers. Furthermore, "popular" Majewski endorsing "unpopular" PKO BP can become "unpopular" by association and can damage his own brand image.

Taking the above into consideration, it is very interesting that PKO BP decided to use humorous commercials for its brand/high risk product. Furthermore, prior attitude to the brand was negative, but nevertheless the company achieved the purchase intent effect. According to the bank's data, in the first three weeks of Mr Majewski's campaign, new savings accounts grew by around 25 percent (Piasecka, 2011).

In the context of celebrities "match-up", PKO's choice is even more surprising.

PKO BP is already claiming success with its new ads, but there are still some emerging questions. Is this campaign a real success? Was humour an appropriate tool in brand image change? Has it changed the brand image? Has it attracted students and under-30s? Has it damaged the product – trivialized the service? Was Szymon Majewski a good choice (popular among young campaign target group but unloved by the majority of PKO BP's customers)?

The example of PKO BP's success extorts further research with reference to banking.

Conclusions

Despite the suggestions that humour and celebrities trivialise high risk product advertising, virtually all banks in Poland uses celebrity endorsement in some form or other. During last 5-6 years about 50 celebrities endorsed banks in commercials and advertising campaigns (Sadrak, n.d.). Furthermore, about 60% commercials/campaigns

were humorous. Additionally, according to Gulas and Weinbergerd's (2006) The Product Color Matrix PCM, white and red high risk products (financial services) have the lowest levels of humour usage and humour is less suited to these products.

Despite the widespread use of celebrity endorsement in advertising and humour in advertising, there is a lack of research on the use of humorous celebrity endorsement in changing the brand image of high risk products, what is more the literature review has not revealed any research in Poland on humour in advertising or humorous celebrity endorsement in changing the brand image. This is a gap in knowledge that will be explored in this research study with special reference to banking.

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Model of the SME's internationalization through e-commerce. Preliminary verification and development of the model.

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Abstract

E-commerce can provide an attractive distribution channel for SMEs in exports. Given the above, the Authors presented a model of determinants of SMEs internationalization through e-commerce, focusing on the most important barriers and development factors. The model is the result of years of researches the Authors conducted in the area of internationalization and e-commerce.

Although most of the factors determining e-commerce SMEs is independent from company's size. Some of the considerations are especially important. This process is described as passing through two filters – 1/ subjective assessments, 2/ filter of communication. The paper presents the results of pilot studies conducted in the group of SMEs and in the group of customers (in relation to the proposed model). It supported the research hypothesis:

Hypothesis 1. Involving customers in online shopping carried in a small or medium enterprise is determined by emotional factors and irrational side of customer behavior.

Hypothesis 2. The involvement of SMEs on the Internet is determined by personal experiences of the company's owner in the use of the Internet (for personal and business).

Hypothesis 3. SMEs behavior, attitude and engagement in international e-commerce is similar to the behavior of individual customers.

Keywords: e-commerce, customer behavior, internationalization

Introduction

In the centre of Authors interest is not the online shopping in general but online shopping as a distribution channel in international transactions. In particular, the customer attitudes towards buying from online shops located abroad and as a contrary – the SME's attitudes towards implementing online channel in their international expansion.

All of the current issues and dilemmas facing international e-commerce include factors influencing both customers attitudes and SME's attitudes.

E-commerce is that kind of activity which is international deeply in its nature. Is it really so or we think it is so? Internet is a global communication network. It is indisputable. But online shopping? How often do you shop online from retailer located abroad? Are you aware of the e-retailer location? Is it an important factor in customer decision making process? Are there any limitation to online shopping from retailers located abroad? Those and many other research questions were the bases of research project aimed at analyzing

the development prospects for online shops looking for customers abroad. The crucial aspect is “international” transaction. The studies relate to specific kind of online transaction: e-customer is located in country A while e-retailer (provider of goods and services) is located in country B. To make the analysis more precise, the research was delimited to SME (providers of goods and services – small and medium-sized companies).

The Authors’ research interests also include the differences in traditional in-store channels and online channel perception, the intention to shop online versus perception and intentions to use traditional retailers.

Technology and the Internet are having a profound effect on distribution channels. Better understanding of the variables that affect e-customers’ satisfaction, loyalty and willingness to shop online can bring out important managerial indicators for e-retailers to improve their competitiveness. It is important to identify the factors that playing major role in online customer decision process.

The main goal of the project is to develop and apply a model to explain particularly unmeasured (objective) determinants and barriers to drive SME towards export via Internet. The Authors are in the process of developing research model based on the emerging literature, research experiences, professional experiences. In the current study the Authors carried out an introductory verification of the proposed model to improve, complete (or eliminate) and expand it in the final version.

Internet as a distribution channel. Polish perspective.

On-line shopping is a relevant distribution channel in a number of markets: ICT equipment, household electrical equipment, entertainment and leisure goods, clothing and footwear as well as – to a certain extent – new motor vehicles (IPSOS 2009).

As the Scheme 1 shows, using the Internet for price comparison appears to indicate relatively well a purchase decision. However most of the purchases are carried out in face-to-face situations. This findings is consistent in across the EU Member States. There is a potential to increase online shopping in the markets for all kind of electrical equipments, clothing and footwear, new motor vehicles, given that a relatively high proportion of consumers already compare prices in the Internet.

Scheme 1 Use the Internet for price comparison, EU27



According to IPSOS research, when looking at the potential of Internet purchases, it is observed that over 1 in 10 of those consumers who have not make purchases online would be ready to purchase electrical equipments, entertainment and leisure goods, clothing and footwear via the Internet (IPSOS 2009).

Interesting conclusions can be drawn from studies conducted by TNS OBOP. It is a leading agency survey in Poland and it is involved in ROPO research project. ROPO is a copyright research tool developed by TNS OBOP. The effect of ROPO (Research Online Purchase Offline) refers to customer behavior. To search first on the Internet interesting goods and services, comparing prices, look for points of sale to finalize service or make a purchase online now.

ROPO effect was investigated in several product groups on Polish market.

In cooperation with Google and Metro Group, ROPO effect was analyzed for household and electronic equipment (ROPO Report 2010).

Independent search for information on the Internet at some stages of the purchase of equipment declares 64% of Polish respondents.

Only 8% of respondents looked for information only on the Internet. Direct visit in shop with household appliances and audio/video is the most frequently used source of information (80%). The next most significant source of information is the Internet (64%). Customers who used the Internet to search for information, mostly used the Internet price comparison (78%).

As the results showed the most popular source of online information were the Internet price comparisons (50%), manufacturers' websites (49%) and Internet forums (47%). Searching for information about home appliances and audio / video usually confined to one step - to seek information about technical and functional aspects of the equipment, or a final decision to purchase.

Searching for information and comparison of models takes place equally in the course of direct visits to the store and online. However, a final decision is made in the store.

The ROPO effect in household and electrical equipment in Poland shows that according to respondents the most useful source of information about the equipment is a shop assistant, followed by the Internet.

The Internet price comparisons are, according to respondents, the most useful online source for information.

ROPO effect was also analyzed in Polish travel sector (project for TUI tour operator). As the results show independent search for information on the Internet at some stages of the buying trips declares two out of three respondents (63%).

Internet (63%) and direct visit to the travel agent (60%) are most frequently used source of information about tours.

Customers who used the Internet to search for information, mostly used the Internet price comparisons (75%).

Searching for information about the trip usually confined to one phase, usually the choice of departure (62% of respondents look for information at this stage).

Finding an idea for the trip, the choice of departure and the search for information about the place of departure is mostly using the internet (respectively 65%, 58% and 76% of cases). Choice of tour operator based largely on the basis of its experience from previous trips (53%). The final decision on buying trips most often taken is based on a direct conversation with the salesman in the office travel (63% of respondents).

The ROPO research in Polish travel sector shows that the most useful source of information about choosing and purchasing the tour is customers' own experience, followed by a conversation with the seller in a travel agency and the Internet. Internet (preferred by 71%) and the conversation with the seller in a travel agency (67%) is the best place to search for information on tours.

Internet price comparisons and web tour operators, according to respondents are the most useful online source for information.

The preferred online source for finding information are the websites of tour operators (indicated by 63% of respondents).

From the presented research is emerging diversified customer relationship to the Internet. Definitely more customers treat the Internet as a broad source of market information. Less frequently make purchases through it, but the group of e-buyers are increasing.

The Internet is still relatively young medium whose position and areas of use have not yet been formed.

This is not a tool for each customer and for every company. Like any marketing tool, it works in certain situations and generates benefits for a specific segment of customers and suppliers.

To summarize, the Internet is not a threat to traditional commerce. Studies show that it plays a key role in the process of seeking information, not only for online shopping, but mainly for the traditional channels. Only one in four consumers do not use the network deciding to purchase executed offline. Absence of the traditional sales network on the Internet turns out to be a worse strategy than the recognition of this channel as an effective method of building a consistent image and improve sales results, including those online.

Theoretical discussion

As a commercial medium, the Internet is an efficient distribution channel thought to offer a number of important benefits to both customers and firms (Caruso, 1995 and others). There are a growing number of research projects to examine the potential of the Internet in enhancing product/brand awareness, evaluations and purchase intentions among consumers worldwide.

The volume of literature concerning SME's involvement in e-commerce is growing rapidly. Empirical studies, research cases, and even experimental observations have looked at the reasons SMEs adopt e-commerce and factors that affect its adaptation (Mehrtens 2001; Korchak, Rodman 2001; Tobias 2002).

These studies can be categorized into three groups. The first group tends to focus on the effectiveness of the Internet implementation as an organizational change process. The second group of researchers has focused on the implementation process, conceptualizing it as a series of separate stages to better differentiate and describe the process of organizational change. The third group has investigated factors that influence both the adoption and the implementation process. In general, all the studies suggest that SME's Internet adoption may come either from within the organization or from external sources.

But there is a poor fundamental research background evaluating the potential benefits that motivate online search and purchase behaviors (or costs that may inhibit such behaviors in the virtual environment) from a e-retailer country-of-origin perspective. Therefore the presented research could give a fundamental contribution to the empirical knowledge and business practice.

SMEs are critical to strategic initiatives in an economy. However, their contribution to foreign trade is not as significant. SMEs have been traditionally considered as weak contributors to internationalization because of financial and managerial constraints (Lu, Beamish, 2006).

The Internet has a great potential to support SME's international expansion but its advantages has not been taken yet. The Authors put a thesis that e-commerce may provide an important and attractive distribution channel in SMEs export. Therefore the model of determinants of international e-commerce of SME has been proposed.

In this particular area there is very little research knowledge. The interesting comments came from Moini and Tesar studies (Moini, Tesar, 2005). Research findings conclude that the scope of internationalization of SMEs through the Internet is affected by internal factors, such as managements' perception of the effectiveness of their websites as a marketing tool, lack of experience and SMEs' potential usage of the Internet (Moini, Tesar, 2005; Frąckiewicz, Grzesiuk 2010).

Managers' knowledge and skills constitute firm-specific intangible resources and managers play a crucial role in influencing firm internationalization regardless of its size. Yet in small firms the skills and knowledge of the management team are likely to be even more important and influential on the firm's internationalization and performance than in larger firms. Moreover managerial attitude and perceptions about exporting, international experience of managers and managers' knowledge and capabilities relevant to the export development process are determinants of SMEs involvements in internationalization (Leonidou, Katsikeas, Piercy, 1998; Suarez-Ortega, Alamo-Vera 2005; Hadley, Wilson 2003; Ciszewska-Mlinaric, Mlinaric, 2010). Ruzzier, Antoncic and Konecnik (2006) stated that human resources are significantly differentiating internationalized and non-internationalized SMEs.

Numerous studies have addressed questions on e-consumer behavior (Dennis, Merrilees, Jayawardhena, Wright, 2009; Markham, Garlin-Warts, , Cangelosi, 2006). To effectively impact product/brand evaluations and purchase intentions, it is essential to understand consumers' motivation to search for product information and/or purchase online and the costs that inhibit online search/purchase behavior. Empirical work on shopping in traditional retail environments has shown that consumers select retail outlets that meet

their expectations on dominant shopping motives (Teo, Lim 1999). Consumers' shopping motives similarly impact shopping behaviors in the virtual environment.

The study of e-consumer behaviors are focused on psychological characteristics, demographics, perception of risks and benefits, shopping motivations (Johnson, 2007; Jayawardhena, 2007). An important research area is technology approach, including technical specification of an online store, interface, design and navigation, payment, information, intention to use and easy to use (Stern, Stafford, 2006; Johnson, 2007; Zhou, 2007).

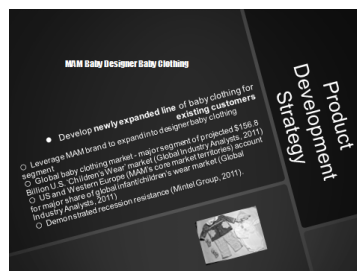
As a final conclusion it could be stated that fundamental research is necessary to fully realize the determinants of SMEs involvement in internationalization via the Internet.

SME vs Internet

E-commerce is by nature international, and business on the Internet means business on a global scale. It allows the manufacturer to increase sales in existing markets and expanding the geographical scope of export activities by entering new foreign markets. Especially for small and medium exporters it gives a chance to offer their products on a global scale without having to invest in setting up subsidiaries (sales representatives) for abroad.

The development of trade on an international scale by the Internet channel is strongly conditioned by the behavior of online customers. However, as shown by research carried out in 2008 for the European Commission in all EU member states on consumer satisfaction in the retail sector, only 30 million Europeans made purchases on the network (ie about 7%).

Scheme 2 Cross-border shopping (respondents declare the purchase from another country and from another country via Internet), in %



Scheme 2 shows selected results for the declaration of Polish consumers and the general EU (1 / "If you had to buy at a dealer in another EU Member State" 2 / "If you had to buy the following products, would you buy them online?). The study does not relate to the true size of the company - the supplier. However it allows to define product categories of customers interest in the online channel and the attitudes towards purchase via the Internet. In the case of the four product groups: ICT, automobiles, products related to entertainment and recreation, and household appliances, a few percent of the respondents revealed interest in buying via the Internet, while expressing interest in buying these products in another Member State. It can therefore be assumed that in the case of such products internationalization of SMEs using electronic distribution channel would have a substantial chance of success.

Other product groups are not already characterized by the same standardization and versatility, and their purchase is strongly affected by the heterogeneity of consumer behavior in different countries. The IPSOS research revealed that among the possible barriers to increase customers interest in online shopping in another country than their home, except the type of product, insufficient knowledge about the complaint procedure, rights of protection of consumers should be indicated. Problems encountered thus relate primarily to issues such as:

- uncertainty as to the adequate protection of consumer rights,
- lack of knowledge, not only at the level of communication, but that causes concern is always whether the words used, words are clearly understood by the recipient of the message,
- lack of sought-after and / or needed information,
- uncertainty as to the occurrence of delivery, the delivery delays or inconsistent with the contract,
- uncertainty as to aid in the event of any problems.

Research hypothesis

The Authors are involved in the process of development of the Model of the SME's internationalization through e-commerce. The following hypothesis were formulated:

Hypothesis 1. Involving customers in online shopping carried in a small or medium enterprise is determined by emotional factors and irrational side of customer behavior.

Hypothesis 2. The involvement of SMEs on the Internet is determined by personal experiences of the company's owner in the use of the Internet (for personal and business).

Hypothesis 3. SMEs behavior, attitude and engagement in international e-commerce is similar to the behavior of individual customers.

Methodology

As the problem is largely unexplored and there is little research base for that particular problem, the research project includes the following phases:

Phase 1 – to conceptualize introductory model worked out as the result of literature review, current empirical knowledge, practical experiences, expert discussion

Phase 2 – verification of introductory model via pilotage and case study research.

Phase 3 – to conceptualize research model.

Phase 4 – final verification and test of the presented research model; development of the Model of the SME's internationalization through e-commerce.

We are currently in the process of testing the introductory model. The paper presents the results of Phase 2. Phase 2 was to conduct a verification of the introductory model based on two independent tools:

- Pilotage (questionnaire)
- Case study.

Pilotage was conducted among individual respondents (potential customers). Case study survey was conducted among SMEs.

Preliminary surveys (pilotage) was conducted in February 2011 on a group of 64 persons. Most of respondents (60 persons) had secondary education and almost as many (58 people) was at the age of 16-44. Among the respondents, there were more women (41) than men (23). Two in five people surveyed lived in the countryside, as many in the city of 200 thousand. residents, remained in the larger cities.

The knowledge of foreign language was adopted in the introductory model as an important element influencing the buying behavior from foreign online shops. The respondents participated in the pilotage possessed rather poor knowledge of languages. Seven out of ten respondents rated as average or poor. However, every fourth respondent rated as good.

Pilotage

The findings provide a good deal of insight about e-customers attitudes towards online shops located abroad.

Reporting on the involvement in online shopping, 50 respondents did shop online, of which 33 people like this kind of activity.

There was no one who does not like this kind of shopping.

Respondents have a rather short experiences in online shopping. In the study group, only 4 people started online purchase before 2005, while the largest group (19 persons) between 2008-2009.

The main reasons for shopping online (according to the number of responses; question multiple choice) are presented in Table 1. Another reason that was mentioned is the lack of availability of goods in the traditional stores located close to the customer (place of residence). It is worth mentioning that the respondent lives in rural areas.

Table 1 The main reasons for shopping online

Main reason to shop online	No of answers
Wide choice	31
Fast transaction	27
Price (low, lower)	24

It is simple	21
Other	1
Safety	0

Respondents who does not shop online argued that they like to see the product before purchasing, they like to visit stores (the group of respondents constituted solely by women).

Looking at the location of e-retailer most responders buy from shops located in Poland = and they are satisfied with this form of shopping. Product categories most often bought by e-customers are: clothing, appliances, books, tv and automotive articles. Only 5 people responded that they were different products. Among the reasons for purchasing the Polish e-shops, often pointed to the speed side, appeared in five cases, the response that this is due to preference for Polish products, willingness to support them.

The experiences with shopping online in shops located abroad had 12 persons, of whom nine are very happy and satisfied. The transaction was similar to that commodity group as in the Polish e-shops, in addition, there appeared airline tickets. Abroad located e-retailers are noted for a wider choice, the lack of demanded product in Poland, and only one person wanted was a price advantage. There was also a completely different reason - the desire to purchase an unusual, original product. The results suggest that at the first step of the buying process respondents try to find e-retailer located in Poland with the corresponding offer, and only then looking at other (abroad) locations.

By purchasing online, only one respondent consciously chooses stores overseas, while for 28 it does not matter and 24 prefer Polish online shops. Used by the respondents is the typical form of payment for e-commerce. It is dominated by credit cards and cash on delivery, which is characteristic for Polish e-consumer.

All respondents were asked to express their views on online shopping in stores abroad. According to them, the most important is the opportunity to purchase sought after commodity. The important role played security of such transactions. It is evidenced by the large number of indications for the second and third answer in Table 2 - fear of seller dishonesty, higher level of anxiety in case of purchasing from unknown seller. However for 14 respondents this is not a barrier.

Table 2. Customers attitudes towards online shops located abroad

Attitude	No of answers
Are a good option if you offer the product you are looking for	25

It is safer to buy from companies that already knew each other before	20
I think that in the event of trouble (payment, delivery of goods), the buyer would have bigger problems than when shopping in the Polish shop on-line	17
No opinion	16
Are as safe as In the Polish online stores	14
Should consult with their clients as well as for purchases in Polish stores on-line	13
It does not matter whether the foreign company on-line is large or small	5

The authors put a research hypothesis that the type of purchased product or services is important when buying via Internet from abroad located e-retailer. The survey confirmed the preliminary hypothesis as for 54 respondents this is relevant factor. Within this group, 32 respondents stated that it is safer to buy the products previously known. For 27 respondents it is safer to buy that was seen previously in a traditional store, and 18 that the typical standard. For 10 people kind of deals does not matter, because more important is the convenience of purchasing and the opportunity to buy at a lower price. In the future, 39 people does not exclude to purchase from foreign e-shop, and 9 respondents such purchases will definitely begin. Only 4 respondents rejected such a possibility.

The results indicate the importance of trust in the foreign e-retailer. The interesting finding is that size of the company does not matter for the respondents.

Case study

While analyzing the available research background on the implementation of the Internet as distribution channel should be noted that if the motives of e-consumers behaviors are the subject of wide research interest, such motives involved enterprises, particularly SME's are generally unrecognized area.

Hence the use of case study method in the process of developing and testing the model seems fully justified.

In that part of research three case studies (interviews with SMEs owner) were conducted. The responded companies differed primarily within the scope of Internet use by the owner of the company's private life.

Case study 1- company owner with considerable experiences in the Internet.

The company has been on the construction market since 1948, but in its present form, after privatization, for the last 12 years. Main business is trading metallic materials, technical services and trade and production.

Comments on SME's owner personal experience in online shopping:

Respondent used Internet since 1997. Personal experience in e-commerce are substantial. For the purposes of private, the respondent buy online different products several times a year, choosing that distribution channel due to the lower price of products that have met in traditional stores. For the respondent, the main advantage of online shopping is time-saving, easy access to products that do not require a "walking" around the shops. Use of e-banking and e-tourism – the respondent does not make those transactions because of the lack of time. However for private use respondent's wife makes such transactions on behalf of both of them.

The overall assessment of these purchases is good, although respondents also had an unpleasant experience (problems with replacing purchased goods). According to the respondent, the submission of claims in the Polish e-shops is difficult (cumbersome procedure), so having an opinion on the subject, believes that it is even harder to shop abroad. This is due to the attitude adopted by sellers - their sense of responsibility for good service is lower, because they can feel impunity, since the customer support at a distance, no face to face contact.

Feeling of anxiety in the case of foreign purchases compounded by the low level of knowledge about the rules of running online business by abroad located shops.

It in turn causes that respondent strongly reject the possibility of purchasing expensive products (too high risk), and if it would do is a last resort. Thus, choosing Polish e-shops, because: he knows the law, feel more confident, and knows the language, Polish products and supports the Polish economy.

But do not decide to purchase online expensive products with no warranty. Payment methods are bank transfer or secure payment system agent (here: paypal).

Comments on the company's online presence and business sales and purchases online:

The respondent (the SME owner and manager simultaneously) believes that the company's presence in the network, each, is standard. The Internet is the basic source of information.

Regarding the company's Web site, its creation was to facilitate customer access to company, locate the company, increase the promotion offer. According to respondent, this goal was achieved. The confirmation is driven from the analysis of statistics on the number of visits, followed by the country from which enter the site. These analysis show that most online visits comes from Polish servers (about 80%), but they are also entering the U.S. market (but do not know why), German, Danish and other Scandinavian countries - that is a neighboring state, and others that are geographically close.

The respondent's experience in dealing with German customer: the customer who first learns of the recommendations about the company, then visits the site on the web (although respondent's company's website is not translated into other languages). However, purchases made in traditional way (face-to-face contact), investigate (watch) the product, negotiate a contract. According to respondent, German customer does not have confidence to the vendor-Pole, which may be of historical background. Trade talks are conducted in English or in German. The respondent argued that it is more comfortable (easy) to make business transaction with persons living in other countries, but the origin of Poles. Customers from Scandinavia and Germany decide to purchase mainly due to a lower price. The manager's experience show that the important role is played by contacts reputation, reliability partner.

Commenting on the personal business experience from the U.S. market the respondent underlined the other measure, the long, complicated procedures prior to the transaction. It's accompanying greater risk because the targeting is a large order, and the distance between the countries did not allow himself to keep track of its progress.

For this transaction would not have occurred if not for the help people living in the U.S., known personally (responder's friend).

With regard to the risk - since the countries apply EU law, it is less likely, but the respondent is concerned that if there was a court case, rustic courts would be biased.

Another type of risk associated with the kind of offer - in this industry are important units of measurement used, in different countries, they are different. It was necessary therefore to learn to pay attention and converts inches, feet, etc.

Case study 2. The company - one-man business in the field of electrical services, conducted from approximately 1990 (approximately 20 years). Owner - provides services himself: electrical repairs, minor alterations, etc. The company located very close to Polish-German border.

Comments on SME's owner personal experience in online shopping:

Respondent does not use the Internet or for personal or business. Reason: no habits, satisfaction with the current form of shopping in traditional stores, contacts with traditional wholesalers supplying materials for the company, no need for changes in this regard. Why not use for private purposes - the answer "The Internet is for young people". Several times the respondent's children (son and daughter in high school) have made purchases over the Internet with payment on delivery. The son ordered a computer, the daughter- mobile phone. They made orders themselves. Buying over the Internet - because the goods were much cheaper. There were no problems with those purchases.

But generally the respondent and his family prefer shopping in traditional stores, because it is "some responsibility" of the seller, there is a company to which you can submit a complaint, etc. In addition, respondent rarely buys some "bigger" things to make it worthwhile to buy over the Internet.

Respondent does not know foreign languages, had no such need (do not go abroad unless the border stores in Germany, but very rarely).

Comments on the company's business, obtaining orders:

According to the respondent, his service (his business) is thriving, has a lot of orders mainly transmitted from recommending the current (previous) customers (information passed from mouth to mouth.) Respondent is not interested in more orders, because he would not be able to realize them, and this would require the involvement of another person. Such a scenario, the respondent does not want to pursue, for fear of the need for supervision, the responsibility for the work done by another person. Satisfied with the current state of it, no need to change, lack of fear of worsening situation in the future, "people will always need an electrician".

Respondent does not publish (do not promote their activities) in the media. Some time ago (probably two years ago) his son prepared a leaflet (a simple paper card, printed from a computer) with information about electrical services. Leaflets have been spread throughout the family (owner, wife, two children) in the surrounding homes, thrown into the boxes on the list (within about 20 km from the residence of the respondent). With this action a number of new orders.

Respondent has a friend who just as he is involved in the electrical services. The respondent's friend began to promote a few years ago (ads in the phone book, ads in newspapers), there was also something of a tender on larger electrical work. This meant that he employed three people. The mentioned service provider has also a website. The respondent guess this is the source of order, because the friend subcontract electrical work. But the experience of a friend is not convincing, especially the respondent worried about the eternal problems of a colleague employed helpers. Therefore, the respondent prefers to work alone.

The respondent repeatedly perform electrical work in Germany. These included a stay in Germany, about two weeks. Each time this work was carried out on behalf of Poles who were operating in Germany. Respondent appreciates this experience, mainly because they were large orders, therefore, well paid. Those orders received as the previous - with the command. At the same time the respondent is not interested in frequent work in Germany, because it is related to departure. Negative experiences in the respondent's living conditions during their stay in Germany for those held orders.

Respondent admits that his work is seasonal. In particular, the reduction in orders is being felt in the period November-February. In other months, due to increased repairs is greater demand for electrical services.

Respondent was not thinking about taking additional steps that would allow the acquisition of additional orders in the period November-February.

Case study 3. Manufacturer of fine wicker; poor experience with the use of Internet. Family business, run for about 40 years, second generation owners. Production of wicker. Employment: the family (the owner, his wife, seasonal workers: two sons plus 2-3 in the season; workers in the manufacture of wicker products).

Company location: on the way to the Polish-German border crossing (10 km from the border), often frequented the road, a large increase in local traffic, the path often frequented by customers from Germany.

Comments on SME's owner personal experience in online shopping:

The owner uses the Internet occasionally. Usually, if you need to find something specific, such as when searching for accommodation at the seaside for a holiday. The respondents was satisfied with this transaction. However booking made by phone. He was satisfied with the information posted on the Internet.

The sons of the owner often use the Internet, often purchase online, but rather for their own purposes.

The company has an access to Internet banking, but uses very rarely, preferring to settle the matter at a branch bank.

Electronic payments - rarely, but rather pays the bills in cash because it's cheaper and does not cause him problems.

Most customers pay for goods in cash; turnover in non-cash transactions is low. Suppliers of the respondent (the supplier of wicker) also expect payment immediately in cash.

The respondent does not feel the need for major purchases via the Internet. He has nothing against it, does not see any problems in that, but it is ordinary purchases, buying food everyday in the nearby shops following the price.

If the respondent has a larger purchases (for example, rarely AGD) - buy in installments and such purchases in the opinion of the respondent can be done only in a traditional store.

The respondent stated that Internet shopping is rather for those "modern", lend themselves to buy "bigger things". Respondent argues that in his opinion they are cheaper, but after adding shipping costs (which, in his opinion are high), the total transaction costs at the same level as in a traditional store.

Respondent believes that the use of the Internet takes a very long time, so it is better to buy something in a shop because it is available immediately and can be seen. For products ordered over the Internet you have to wait, never be too sure how it looks like.

Comments on the company's online presence and business sales and purchases online:

The company is not directly present in the Internet. Several times came to the respondent's potential contractors (probably found a contact in the phonebook, yellow pages) and asked about the opportunity to get acquainted with the company's website. But since that party has not, contractors were sent pictures of products through the mail (postal controlled on a general portal). It was enough for Denmark contractor to submit a sizeable contract. Order was large and generally for one year provided a company's sales. Customer order was not repeated, it is possible that the wicker goods were no longer needed.

Respondent is not in contact with the client at the end of cooperation.

Best customers for the company are customers from Germany. These are mostly people coming from Germany to shop (local cross border shopping) which on the road passing next the respondent's exhibition (goods issued before the entrance to the company). The respondent issue its wickerwork on the road (at the border of the property).

This group of German customers is valuable to the respondent because it buys a few pieces of single products.

The second group of important customers are the florists. The respondent's company supplies the baskets and other decorative elements. Major requirements for this group of customers - expect the products of small (minor), which are difficult to knead the wicker while florists are often looking in the colors of products (baskets painted a specific color), which is more expensive to manufacture.

The respondent thought about developing a broader business, especially for getting clients outside the local market. Several times he traveled with the goods to neighboring cities in search of customers. Usually, what he had with him in the car sold (for example, flower shop, which he visited once purchased goods), but did not appear in the next contract.

Respondent was considering selling its products over the Internet but does not know how to go about it. In addition, he claims that if he carries products to individual customers he should meet the customer and discuss the details so that the contract was executed correctly. According to respondent, the details of such an arrangement is not possible over the Internet.

Verification of research hypothesis

The results of case study survey positively verify Hypothesis 2. The involvement of SMEs on the Internet is determined by personal experiences of the company's owner in the use of the Internet (for personal and business). The hypothesis is especially supported by the conclusions of case studies 1 and case study 2.

Hypothesis 3 was also positively verified through case study research. SMEs behavior, attitude and engagement in international e-commerce is similar to the behavior of individual customers.

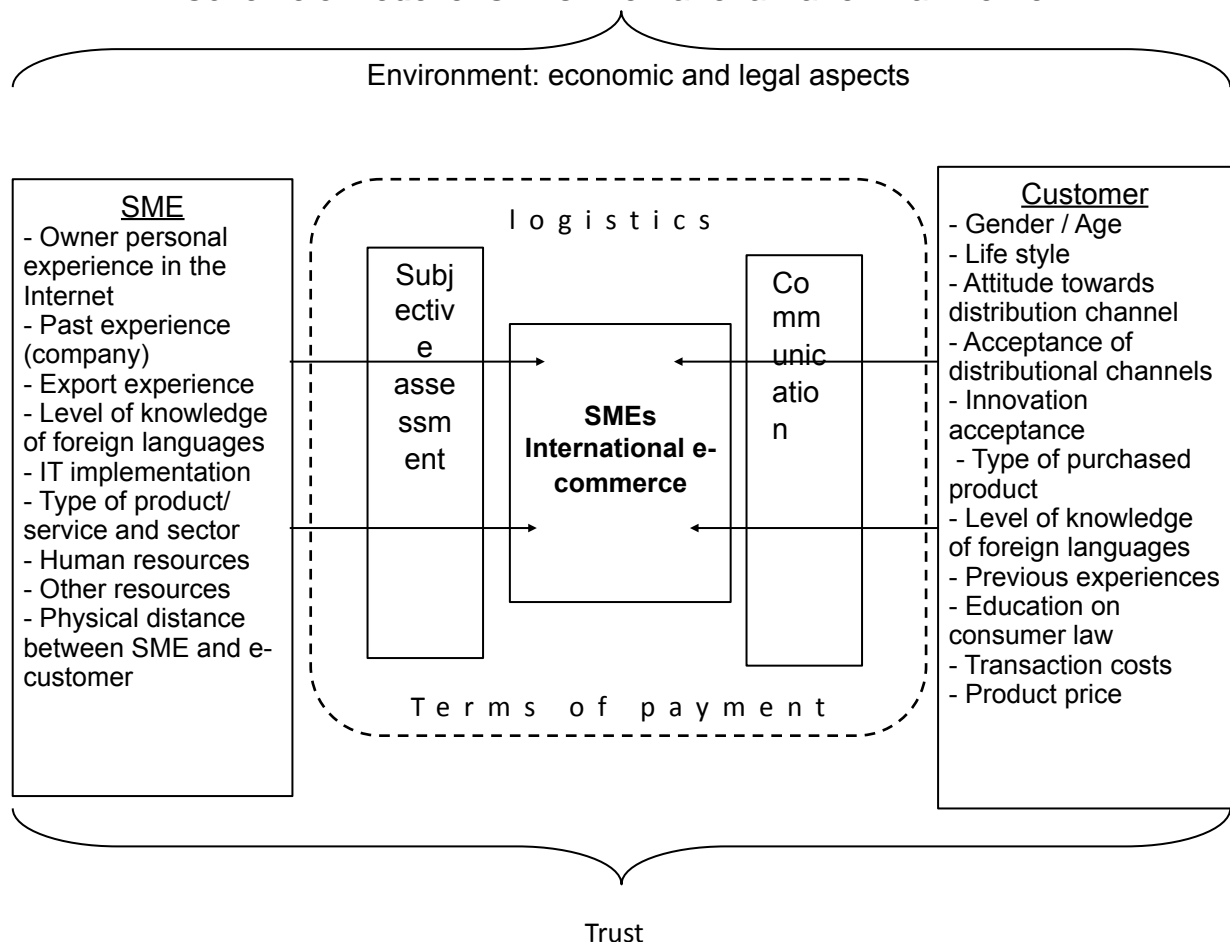
Recommendation from case studies to the research model

The in-depth analysis of the SME's opinions gathered in the case study phase allows to formulate some recommendations regarding the structure of the Model of the SME's internationalization through e-commerce.

- Trust built through personal contacts.
- Confidence built by virtual agents (payment systems) and real (the system of international banking accounts, insurance), of a formal nature.
- Trust built through informal contacts – recommendations.
- Confidence built by a reputation.
- Transferring personal market experience of the owner (as an individual).
- The nature of the business determines SME's interest in e-commerce.
- The type of personal owners life style determines SME's interest in e-commerce.
- The importance of personal experience (owner's experience).
- Type of the product - service - if the recipient is local, the importance of website as a communication tool is lower.
- Applications for the model - arises from the knowledge / skills of the owner.

- The extent of Internet use in the operational activities of the SME follows the owner's knowledge; the importance of education and training.
- The main barrier is the low awareness on the possibilities of using the Internet in international expansion.
- Company's owner personal approach to innovation (Internet as innovation) determines the utilization of Internet.
- Internet as a communication/distribution channel creates the possibility of development. However it is not always the owner's intention to develop and grow the company. The owner may be satisfied with the present condition.
- The strong influence of the environment observation; learning from environment.
- The service provided to clients abroad may be associated with going abroad (travel) which SMEs owner may not accept.

Scheme 3 Model of SMEs internationalization via Internet.



Conclusions and further research

The paper presents selected aspects of verification of introductory model via pilotage and case study research.

The findings were included into the model presented on Scheme 3.

The proposed model shows some basic elements that should be transferred to a research tool (eg questionnaire surveys). Thus it can be a valuable source of information, the basis for further research.

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New Itinerancy: the Potential of Geocaching for Tourism

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Abstract

New Itinerancies have emerged during the last few years as the result of cultural, technological and geographical innovations which created new strolling practices. Many examples illustrate this phenomenon such as: hebertism trails, via ferrata, canyoning raids of all kinds as well as geocaching, a treasure hunt of the postmodern time where geolocated objects (called geocache) have to be hidden and found by the players. At the moment, over 1.5 millions geocaches are scattered across the five continents, reflecting the popularity of this new user-made entertainment. Before a short presentation of successful examples combining geocaching and touristic activities, we will exanimate the characteristics of this form of itinerancy. More particularly, we will show how geocaching, considered as an open object, can be varied to infinity notably through creative developments allowing organizations to design a framework for a consumption experience which can take into account touristic, cultural, aesthetic and/or geographic dimensions, in line with the wealth of discovering a region, a locality, a place,... and so, in line with the development of a territorial marketing.

Keywords: Itinerancy, tourist experience, geocaching, territorial marketing.

Introduction

New Itinerancies have emerged during the last few years as the result of cultural, technological and geographical innovations which created new strolling practices. Many examples illustrate this phenomenon such as: hebertism trails, via ferrata, canyoning raids of all kinds as well as geocaching, a treasure hunt of the postmodern time, topic on which our study will focus on. These new itinerancies offer opportunities in the field of tourism and are therefore not to be neglected in the development or updating of a regional/touristic marketing, in line with the emerging phenomena of consumption. In this study, we will highlight and conceptualize the potential of geocaching for tourism by describing its characteristics from which this new itinerancy takes place. But first, we discuss the managerial context and methodology. We then present some examples of geocaching-tourism successes' alliances. We end our article with several managerial recommendations helping to create and provide a framework for a stimulating experience that can highlight and bring to life the specifics, the wealth of a region, a locality, a place, etc. to the geocacher and, in a more general manner, to the tourist.

Managerial context

Tourism marketing has known a significant development over the last three decades. The rise of e-tourism (Buhalis & Law, 2008) and new technologies' integration such as virtual communities (Wang & al., 2001), social media (Barabel, 2010), blogs (Lin & Huang, 2006) or collaborative websites (O'Connor, 2008) like TripAdvisor have largely contributed to the

sector dynamism where the consumer is always looking for more information (Doolin & al., 2002). In this study, we focus our attention on one field of the tourism marketing : the territorial marketing (also called place marketing) which is defined as "a process whereby local activities are related as closely as possible to the demands of targeted customers" (Florek, 2003). As underlined by Lamarche (2003), stakeholders in the tourism sector have conflicting goals with political-economical trade-offs to realize between three pillars: the development, the promotion and the attractiveness of a territory. On these three aspects, the marketing can play a key role in particular for the promotion strategies of the territory (Dinis, 2004) for local, national and international targets (Milne, & Ateljevic, 2001). Given the multitude of choices available to consumers today, territories and their representatives are seeking to take a clear position on the market and no longer hesitate to implement real branding strategy. On this regard, Pike (2005) emphasizes the small number of studies in the tourism sector even though most tourist destinations use catchy slogans to attract tourists. It is in this managerial context that we propose to consider an activity knowing a great success, the geocaching, to create promising new strategies for tourism development of a territory

Methodology

In order to conceptualize the full potential of geocaching for tourism and to offer managerial leads, we have accomplished a comprehensive exploration (Jeffrey & Maffesoli, 2005) of multiple websites associated with the geocaching activity by interposed digital screen. Our exploration of these sites was carried out over the last three years during which we have been able to improve our understanding of this new type of itinerancy and identify the opportunities it opened for tourism. More specifically we start our research by visiting on a regular basis the different sections and hyperlinks suggested on the website geocaching.com, since it makes authority for the geocachers. We have entered numerous queries on search engines, using various keywords. At the beginning, we typed simple expressions such as "geocaching" or "geocacher" and then we were able to refine our requests and queries with specific expressions such as "travel bugs", "geocaching associations" or "caches Gallo-Roman", as our knowledge of the phenomenon was better and better. In total, that's more than fifty sites that have been visited, dozens of videos that were viewed and hundreds of comments that have been read. We were able to identify the main features of geocaching, grouped under three concepts: the treasure hunt, the itinerancy and the game. We were also able to find representative examples of what was and what could be accomplished to develop alliances between geocaching and tourism.

Geocaching

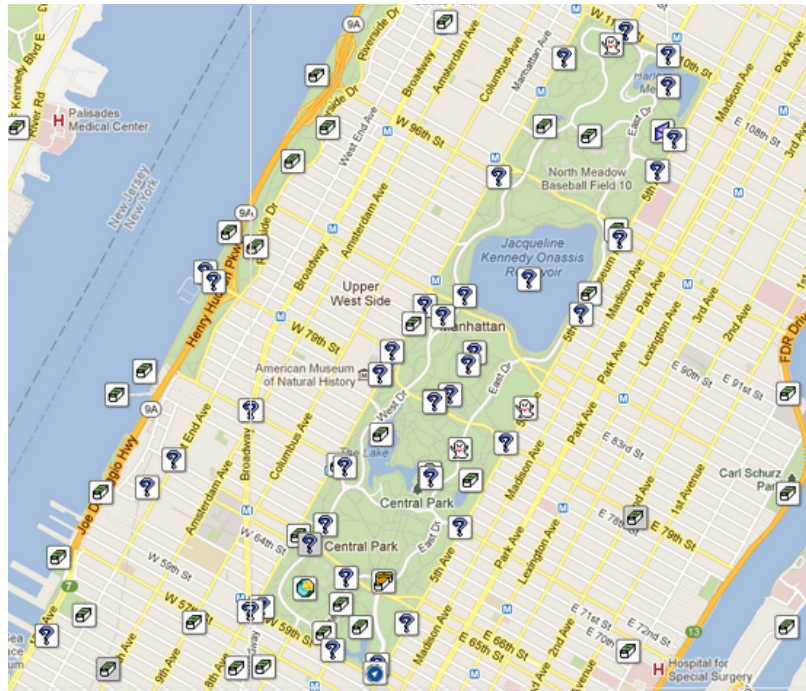
A treasure hunt

Geocaching can describe as a treasure hunt of the postmodern time (Boulaire & Cova, 2009), based on the geolocation of objects (called geocaches) which are hidden and have to be found by players (called geocachers). The coordinates of a cache are transmitted by its creator to a website dedicated to the geocaching community such as geocaching.com, the most important one, which counts more than 5 million subscribers. Once uploaded, these coordinates become available to the entire community of geocachers and currently more than 1.5 million geocaches are scattered around the world reflecting the popularity of this new user-made entertainment. As time goes by, many

different types of caches were created including the mystery cache (cache whose coordinates can be obtained by solving a puzzle), the CITO cache (Cache In, Trash Out) theme geocache such as the Gallo-Roman cache, the earthcache ("geoscientific" cache highlighting geological events) etc. There are also caches that can travel and which can be assigned with specific goals such as cover a certain number of kilometers or travel all over several continents: this kind of cache is known under the name Travel Bugs. The community of geocachers has been segmented into multiple associations like those of France (geocaching-france.com), Italy (geocaching-italia.com) or those of Florida (floridacaching.com) or Quebec (quebecgeocaching.com). More and more actors, including tourism-related organizations, have expressed their curiosity and interest in this new activity. Great examples are initiatives taken by various parks in the United States ([Georgia State Park](#)), Canada ([Novia Scotia Park](#)) or associated with trails ([Great lakes area](#)). Geocaching is experiencing an impressive interest from both individuals and organizations. The site geocaching.com provides the number of logs available on the website (i.e. comments and consultation of geocache, development of new caches). When we wrote this paper, more than 5 million of logs had been created on this site by geocachers in the last 30 days. The treasure hunt combined with the playable and technological dimensions (the latter one enhancing the playfulness), appears as a winning combination and a great source of motivation for many individuals.

A new type of technologically assisted itinerancy

Geocaching can be considered as a type of new technologically assisted itinerancy and can also be presented as a new way to discover as well as to enhance a place : a country, a region, a city. Geocachers rely on location based technologies such as GPS signals which are playing a more and more significant role in the consumers' everyday life, due to their integration in many tools (eg, Smartphone, PDA, GPS ...). The tourist also counts increasingly on these tools to identify or locate services, objects, etc. The universe of location based service (LBS) technologies is large and diverse. Due to the development of Web 2.0 (O'Reilly & Battelle, 2005), digital mapping has taken a prominent place in the interest develop toward the geocaching. When the game started in 2000, positions of the caches were limited to their coordinates (longitude and latitude). Today, digital maps locating caches are freely available on the Internet. Moreover, they can be easily modified and updated, as several authors have shown it, in the tourism sector (Kraak & Brown, 2001; Richmond & Keller, 2003; Boulaire & Hervet, 2010). Figure 1 illustrates how the website geocaching.com allows its members to target a cache close to their home (here Central Park on the island of Manhattan), thanks to comments, tags and symbols created by the community of geocachers. This use of the object "map" in its version 2.0 has a significant potential for the tourism industry, according to Nielsen & Liburg (2008) and Boulaire & Hervet (2010). The visualization of geocaches on a digital map is just one dimension of the technologically assisted itinerancy. The proliferation of hardware (PC desktop, Smartphone, iPhone, Blackberry ...) and the development of applications for all mobile operating systems have significantly increased accessibility to the game. Besides, the market for mobile applications gives the opportunity to geocachers to benefit of a technological-customized assistance. The website geocaching.com provides a list of 16 different general and specialized applications to enhance the game experience. For example, the application Cachebox available for Smartphone allows users to practice a "paperless" geocaching by posting comments about caches they have discovered, directly from their phones.

Figure 1 - Digital map : Central park & its geocaches

A Game

Geocaching is a game which can be played individually and collectively, online and offline. The support it receives from new location based technologies and communication intensifies its playful character. Like any other game, there are rules and goals to observe. In the original version of the game, the goal is to look for or hide a container in various places all over the world whose location is available online. There are also objects related to the game: geocaches but also objects left in the caches (i.e. in the container). Among these objects, we can mention geocoins, "coins of the treasure" worthless from a monetary perspective but that can be collected. There are also players: basically, anyone who wants to participate in the game. But new versions of the game have emerged. For instance, one of them is oriented toward the athlete's players for whom great challenges are created such as "extreme" caches which are located in places difficult to access. However, geocaching remains an open game, in the tradition of open-source objects (Weber, 2004). While keeping the spirit of the game which currently ensures the success, adaptations are possible on each dimension of the game. By doing so and in a creative manner, geocaching can be used for tourism purposes. As discussed in the next section, some geocache's path can be organized by tourism organization, resulting in the creation of a GeoTour or GeoTrail. These paths can be followed by both accomplished athletes and families (Figure 2).

Figure 2 - Geocaching potential for tourism

Examples of geocaching-tourism alliances' potential

In France, there are several actors who combine "geocaching" and "region" in various marketing strategies. On the website [Geo-Map](#), the geocachers of Provence emphasize on the geocaching activity in their communication, those from the Limousin on their territory and the association for tourism's development in the Pas-de-Calais region on the use of new technologies.

The department of the Manche, with the website [manchetourisme.com](#), is particularly active in regards to the alliance between its territory and the geocaching. With the latter, the department representatives underline the discovery of an heritage, of an educational dimension of the environment and of the use of technology. In their communication, they use the three main features of geocaching : the treasure hunt, the technologically assisted itinerancy and the game. For instance, on the treasure hunt theme, the following comment can be found on the website : "Have fun to solve various puzzles to find the exact coordinates of the geocaches Do not forget to copy the riddle before leaving and to bring something to trade!" [Translate from French]. They promote geocaching as another way to discover the department, the potential offer of "new keys of interpretation"

of the territory, generating more fun than the use of traditional billboards and brochures, in particular with the realization of a "digital topographical guide". The walking tours offered show the diversity of transport's means (by foot, bike, ride) as well as the difficulty levels of hiking (short family walk, technical hike) that can be and are being considered.

Figure 3 - geocachealaska geocoins



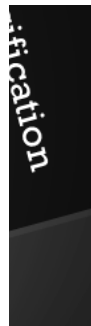
In Alaska (U.S.A), the Association of Geocachers (website: [geocachealaska](http://geocachealaska.com)) was quick to consider an alliance between the geocaching and the territory because both share the culture of the treasure hunt. In addition, the association produces its own geocoins on which cultural symbols are engraved, namely the brown bear and the prospector (Figure 3). As part of this alliance, [geocachealaska](http://geocachealaska.com) also makes the most on the educational dimension of geocaching to protect the environment. It seeks to promote the preservation of parks and walking trails in the region. As such, [geocachealaska](http://geocachealaska.com) encourages its members to create CITO geocaches and has for goals to "educate geocachers on low impact geocaching and promote stewardship of our natural resources".

Geocaching is also used in combination with a particular event. Actually, this is a more and more common practice, each association of geocachers developing its own events. It could be mentioned, for example, the *apérocaché*, an event created by the Geocachers' association of Provence which gives the opportunity to geocachers to meet face to face, during an aperitif. It is also worth to mention the University of Florida geocaching association which proposed a geocaching activity overnight (geocaching by night) to its student members. Other stakeholders have also created events or operations, this time by diverting geocaching for tourism objectives. The Regional Tourism Committee of the Limousin has established an operation targeting families and called "Terra Aventura". 30 geocaches hidden by employees of the Visitor Bureau are associated with different trails, allowing the geocachers-tourists to visit and discover the territory. To provide an experience adapted for different audiences and, as it is the case for every geocaches, each of the 30 caches is presented with information about the time needed, the terrain, the difficulty and also the accessibility of the cache (eg suitable for families, disabled people). In addition, the 30 caches are grouped under eight themes (history & monuments, at the water's edge ...). Another example concerns the 400th anniversary of Quebec City. One of the proposed activities for the event was a geocaching one, with a sightseeing tour created for the occasion of the city cultural heritage. More recently (December 2012), the 3rd edition of the Blue Christmas in the city of Guebwiller took place. As part of this operation, the city also organized a geocaching activity with a tour of the town. During this activity, geocachers-visitors had to find answers to a "touristic" quiz related to where they were in the city and giving them the opportunity to participate to a contest organized by the town council. These few examples illustrate the range of possibilities available to local, regional or national tourist organizations.

Managerial implications

Firstly, two main strategies are conceivable to use the potential of geocaching in the field of tourism. The first is to promote geocaching, since at the moment this is an activity generating a lot of interest, and to promote how a region, country, or city serves this activity and can offer experience's frameworks interesting and varied for the geocaching. This strategy is mainly directed towards geocachers keen to expand their practice on new territories by adding a touristic dimension as well as a social dimension, at local, regional, national or international level. As part of this strategy, we can take advantage of existing material, for example, geocaches that have already been created and placed. Thus a region as that the Provence can promote geocaches already hidden on its territory. It may focus on certain caches, such as the Gallo-Roman caches and provide the relevant internet link. For instance, a digital map that identifies and locates the Gallo-Roman caches in France is available on the website [Geo-Map](#) (Figure 4). Also as part of this strategy, events can be created by bringing a touch or a cultural adaptation to encourage meetings between geocachers or for other purposes, as previously described. Note that this strategy may extend to the promotion of all leisure activities using location based and other new technologies.

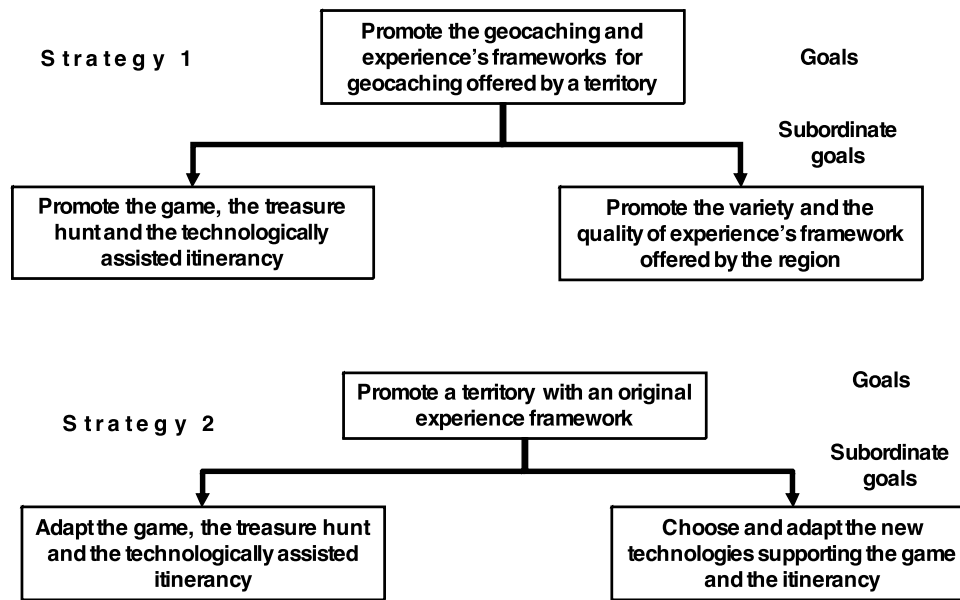
Figure 4 - The Gallo-Roman caches in France



The second main strategy is to promote a territory: a region, a department, a city, etc. and use the geocaching as a way to discover it. As part of this strategy, the existing material may also be used, for example by highlighting once again the Gallo-Roman caches hidden on the territory. This time however, the focus is oriented on discovering the treasures of a territory with geocaching as a means of stimulating the discovery and not as a primary goal. Also as part of this strategy, new caches as well as new routes can be created to discover the wealth of places left out or ignored so far by the community of geocachers. New events including a geocaching touch can also be created by playing on the various dimensions of the game, to celebrate a historic anniversary, a special celebration related to a city or a monument, as presented previously. This strategy is mainly directed towards tourists at a local, regional or national level, taking into consideration an experience's framework based on a successful game like a treasure hunt which is associated to the geocaching and also on the use of location based tools and other new technologies.

Either in a context of an event creation or the development of a geocaching activity , the two main possible strategies can be summarized as presented in the Figure 5.

Figure 5. Marketing strategies: tourism-geocaching alliance



As an open game (Boulaire, Hervet & Graf, 2010) and as previously reported, the game of geocaching can in fact be modulated to infinity in order to promote a territory and encourage its exploration.

After an inventory of the treasures, the specialties and specificities of a territory that could be put forward, tourism organization and its representatives have to play in a creative manner with the various dimensions that characterize the geocaching activity: goals of the game, player's and cache's types (and their routes), terrain, rules, duration, use of location based technologies etc. The concept of "treasure hunt" can help them to think about the "treasure" they want to make discover: for instance, a tangible one or intangible one, and how to address the storytelling of the treasure hunt. The technologically assisted itinerancy's image should prompt to think about what an organization wants to be located: obviously a geocache but also what is around it with the help of location based technologies and what could be "tagged" as information associated with those landmarks.

The goal is to design and then deliver experience's frameworks evidently physical, but also touristic, cultural, aesthetic, geographic, etc. in line with the treasures, the features, the specificities of a region, a place, a city. These experience's frameworks will also be in line with a more and more successful leisure which is played all over the world and technologies that are more and more present in the consumer's everyday life.

Conclusion

Several actors in the tourism sector are already taking advantage of geocaching, an activity combining dimensions from the game, the treasure hunt and the technologically assisted itinerancy, whose the followers' number is continually growing. As part of developing a touristic marketing and in the managerial context of looking for innovative strategies to promote a territory, the alliance territory-geocaching seems from our study have a significant potential to attract consumers (geocacher or tourist). In addition, the game of geocaching can be extended to infinity to provide catchy, original experience's frameworks and to adapt to various managerial objectives. In the future, many other tourism stakeholders should be able to build on this kind of alliance.

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ICT Impact on tourism industry

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Abstract

The goal of this paper is to analyze the effects of ICT on firms' competitiveness, as well as on their level of innovation, productivity and on the market share depending on the tourism area: Accommodation, Gastronomy and Travel Agencies. On the whole, it has been proved that the use of diverse ICTs has little effect on the level of competition as well as on increasing productivity, while in general, they have a positive effect on increasing the market share of the firms.

Keywords - ICT, competitiveness, productivity, market share, innovation, tourism

INTRODUCTION

In the last years, the world's economic and social structure has undergone some important changes, especially because of the introduction of information and communication technology (ICT). ICTs have transformed tourism globally and offer a range of new opportunities for development. Tourism related products could boost the globalization of the tourism industry in areas such as hotels, restaurants, travel agencies or tour operators. Hence, the use of ICTs has the potential to turn markets from local into global and in times of crisis firms can have better prospects to survive and improve their position in the market, especially, in tourism where the number of competitors increases on a daily basis.

Tourism has become a key sector in the world economy. According to the World Tourism Organization, international tourist arrivals totalled 940 million during 2010, increasing 7%. Apparently, tourism industry has a great potential to grow, about 5% each year (UNWTO, 2011). Tourism industry could gain more opportunities in the market from the use of the internet (Gratzer et al, 2004); for example, China is fast becoming a booming tourism source country, as an ever increasing number of its citizens travel overseas. (Xiaoqiu Ma et al, 2003).

The spread of ICTs has a great impact on ensuring sustainable global and tourism development, above all in less developed areas (UNCTAD, 2004). However, there is also a digital gap between tourist markets and destinations within and among countries and this inequality creates the so-called Digital Divide (Minghetti & Buhalis, 2010; Shanker, 2008). Digital Divide arises from this inequality above all in less developed countries, excluding them for potential opportunities in the tourism market.

LITERATURE REVIEW

Although ICTs appear to offer new opportunities for business mainly relevant in four different aspects: gaining a competitive advantage, improving productivity, developing new businesses and facilitating new ways of management (Buhalis, 1998, 2003; Gruescu

et al., 2009; Ion & Andreea, 2008; Irvine & Anderson, 2008; Shanker, 2008), it seems that firms do not experience an increase in their outcome because of the use of ICTs. The main effect that ICTs have is that they keep a float businesses that use them (Law & Jogaratnam, 2005).

As regards the influence ICT has on competitiveness in hospitality, some authors consider ICT as a key factor in competitiveness, because it reduces transaction and operational costs (Bojnec & Kribel, 2004; Buhalis & O'Connor, 2005; Buhalis & Kaldis, 2008). Unfortunately, there is no consensus as to how effective the use of ICT is, e.g. Mihalič (2007) was unable to prove a direct positive link between the implementation of ICT and competitiveness. Other researchers argue that the competitiveness variable will improve only when there is an increase in innovation together with a wider use of technology (Blake, 2006).

Scheidegger (2006) states that the tourism industry is one the least productive sectors in the economies of the most developed countries. Other authors maintain that there is no discernible relationship between ICT and productivity in hospitality (Byrd & Marshall, 1997; Dos Santos et al, 1993). Some other studies suggest that there is a real connection (Brynjolfsson, 1993; Sigala, 2003a, 2003b), while others support the idea that the impact of ICT is negative (Mihalič, 2007).

Another relevant variable is market share, where authors like Evans & Peacock (1999) found that ICT penetration in the mainstream travel and tourism sectors can reduce the market share and market penetration of small and medium-sized enterprises (SMEs) while studies carried out by some others like Buhalis (2003) show that ICT is used by enterprises to protect their market shares and safeguard their position. Again there is no real evidence of the positive impact of ICT on market share in the tourism industry.

Finally, the last variable to take into account is innovation. Innovation in process/delivery and organization are the most relevant areas where tourism firms have an advantage, while product innovation apparently is not quite as common a phenomenon in the target sector (Jacob et al., 2003). ICT in tourism industry affects the change of internal strategies, rendering them more flexible to changes, helping them to adapt to the new needs of the market (Vilaseca et al., 2006, 2007). E-innovation taken as part of an innovative strategy has the potential to change tourism industry processes (Hipp & Grupp, 2005; Martin, 2004). The main common factor as regards ICT and innovation in tourism firms is that thanks to the use of ICT enterprises have changed the internal processes.

In the current literature on tourism industry, authors usually look into a specific area. The study reflected in this paper is broken down into three main sub-sectors within the broad ranging area of tourism: Accommodation, Gastronomy and Travel Agencies. Most of the papers that dwell on this industry have found that the different types of sub-sector are important actors that should be taken into account for an in-depth study of the sector (Bojnec & Kribel, 2004; Jacob et al, 2003; Tahayori & Moharrer, 2008).

ICTs are becoming a key determinant of organizational competitiveness and productivity, allowing the tourism industry to increase its market share and boost its capacity to launch new innovations. This paper focuses on the use of ICTs as strategic tools to enhance the benefits in the tourism industry.

Taking into consideration the great relevance of ICT in this sector, the aim of the research shown in this paper is to analyze the impact that the adoption and use of ICT has on managerial output in the UE market. More specifically, the goal of this research is to analyze the effects of ICT on firms' competitiveness, as well as on their level of innovation, productivity and on the market share depending on the tourism area: Accommodation, Gastronomy and Travel Agencies.

DATA AND METHODOLOGY

E-Business Watch Survey

The data used for the empirical part of this study come from the E-Business Watch Survey of 2006, launched by the Commission and the Sectoral e-Business Watch. The main objective of the survey is to provide an overview of the use of ICT and e-business in enterprises in twenty-nine European countries by means of representative samples. The survey, carried out using computer-aided telephone interview technology, was answered by decision-makers in enterprises. The survey was conducted among firms from the following sectors: food and beverages; foot wear; pulp, paper and paper products; ICT manufacturing; consumer electronics; shipbuilding and repair; construction; tourism; telecommunication services and hospital activities. For this paper, only the tourism sector is considered. The firms in this sector were chosen because they can go global more easily by means of the use of ICTs.

The questionnaire provides information about diverse aspects related to ICT and the company itself. More specifically, it provides information on ICT infrastructure, e-skills development and outsourcing, ICT expenditure and investments, internal and external e-collaboration, online sourcing and procurement, online marketing and sales, e-standards and interoperability issues, ICT impacts, drivers and inhibitors, innovation activity of the company and background information of the company.

The sample of the survey is made up of firms making wide use of computers, which were in operation within the national territory of the twenty-nine countries surveyed. Those firms also carried out their primary business activity in one of the ten sectors specified in the previous paragraph. The sample has been stratified randomly from the population in each one of the twenty-nine countries. Samples were drawn locally by fieldwork organizations based on official statistical records and widely recognized business directories.

The fieldwork was carried out in March and April 2006, at different time intervals depending on the country. This paper centres on the tourism sector and the final sample includes 2,665 firms in twenty-six European countries, which represents approximately 18.95% of total firms contacted.

Dependent variables

The dependent variables make reference to four different aspects closely related to firm outcomes: competition, productivity, market share and innovation. The definitions of these dependent variables and their descriptive statistics by sector are shown in Table 1.

In order to capture competition, three variables have been used. The first one rates on a one (rather decreased) to three (significantly increased) scale to what extent competition has changed in the sector due to ICT. The next two variables measure on a three-point Likert scale whether the market-share and productivity of the firm have changed over the past 12 months. A value of one is assigned to those who answered that the market-share or productivity had decreased; a value of two to those saying that it had roughly stayed the same and a value of three to individuals answering that they had increased.

As far as innovation is concerned, two variables have been used. These two variables measure, making use of dummy variables, whether during the past twelve months the company has launched any new or substantially improved product or services (product innovation) and whether the firm has introduced any new or significantly improved internal process (process innovation).

Table 1. Definition and mean values of the dependent variables by sector of activity

		Accommodation	Gastronomy	Travel Agencies
Competition increase	N	592	493	271
	Rather decreased	1.35%	2.23%	1.48%
	Somewhat increased	61.82%	71.40%	48.34%
	Significantly increased	36.82%	26.37%	50.18%
Productivity increase	N	824	1,184	352
	Decreased	5.22%	8.11%	6.53%
	Roughly stay the same	40.65%	42.82%	32.10%
	Increased	54.13%	49.07%	61.36%
Share market increase	N	798	1,151	336
	Decreased	7.39%	8.77%	8.93%
	Roughly stay the same	51.01%	49.96%	40.18%
	Increased	41.60%	41.27%	40.89%
Product innovation	N	869	1,202	367
	No	61.45%	66.14%	49.32%
	Yes	38.55%	33.86%	50.68%
Process innovation	N	868	1,203	366
	No	68.09%	73.90%	60.11%
	Yes	31.91%	26.10%	39.89%

Independent variables

The first two independent variables are the use of ICT and ICT investment, which are measured by means of dummy variables. More specifically, the survey provides information as to whether firms had access to the internet and whether the company had made investments in ICT in the past year 2005, for example in new hardware, software or networking capabilities.

The survey also provides information about the use of different technologies or media to communicate with other people. The variables measure if firms use or pilot Radio Frequency Identification Technologies (RFID).

The next variable examines how important the role e-business plays in a firm is as regards the way the company operates, ranging from three (significant role) to one (none at all).

The last group of ICT taken into account is related to electronic trading with suppliers and customers. The variables measure whether firms use the Internet to place orders for goods or services online (orders on-line) and whether customers order goods or book services online (sales on-line).

The last variable looks into the most significant market area in which the company operates. This is measured using three dummy variables, namely regional market, national market and international market.

Table 2 summarizes the independent variables across sectors.

Control variables

A series of control variables that, according to previous literature, influence the impact of ICT on productivity and on outcomes, are included. These variables capture firm characteristics, such as size and year of foundation.

Methodology

With the use of the STATA 11 software, probit models were estimated for binary dependent variables, whereas ordered probit models were used when the dependent variables were an ordered scale. In addition, it should be mentioned that condition indices and variance inflation factors show values below the usual thresholds of 30 and 5, respectively (Judge et al., 1988), indicating that multicollinearity is not a problem in our models.

RESEARCH FINDINGS

This section is structured as follows: first, the basic characteristics of the sample are described; then, multivariate analysis techniques are used to analyze how ICTs influence firm outcomes.

Table 2. Independent variables by sector

		Accommodation	Gastronomy	T r a v e l Agency
Use ICT	N	886	1,237	380
	No	1.24%	11.88%	0.26%
	Yes	98.76%	88.12%	99.74%
Investments in ICT	N	868	1,219	375
	No	29.03%	43.15%	25.07%
	Yes	70.97%	56.85%	74.93%
RFID technology	N	856	1,202	374
	No	96.85%	98.92%	97.33%
	Yes	3.15%	1.08%	2.67%
e-business	N	875	1,218	371
	None at all	19.32%	44.58%	20.75%
	S o m e significance	49.94%	42.69%	42.59%
	Significant role	30.74%	12.73%	36.66%
Orders online	N	884	1,234	380
	No	39.93%	56.81%	32.11%
	Yes	60.07%	43.19%	67.89%
Sales online	N	886	1,231	379
	No	29.80%	70.43%	48.55%
	Yes	70.20%	29.57%	51.45%
Market	N	863	1,221	376
	Regional	16.80%	58.39%	21.54%
	National	44.84%	32.68%	48.40%
	International	38.35%	8.93%	30.05%

Sample characteristics

Table 1 and 2 present the main descriptors of the dependent and independent variables. It is clear that there is a wide range of differences on firm outcomes as well as on ICT adoption among sub-sectors of the tourism industry.

Although the percentage of firms that use ICT is more or less equal in all sub-sectors of tourism, the effects that ICTs have on firms differ by sub-sector. More than 50% of travel agencies state that ICTs increase competition, while the figures are only 26% in the gastronomy sector.

Regarding productivity and market share variations during the past twelve months, differences among sub-sectors are lower. Approximately 50% of firms in the accommodation and gastronomy sub-sectors and 61% of firms in the travel agency sub-sector claim that productivity increased dramatically in the previous twelve months. As to

market share, around 41% of surveyed firms in all sub-sectors confirmed that it had increased in the course of the previous year.

Looking into innovation, there are differences by sub-sector. The travel agency sub-sector is the most innovative one in products as well as in processes. In this sub-sector, over 50% of firms interviewed had launched some new product or service during the last year and 39% of them had introduced some process innovation, whereas in the accommodation sub-sector, only 38% of firms interviewed had launched some new product in the previous twelve months and 32% had made innovation in processes. The least innovative sub-sector is the one of gastronomy, where 33% of firms had launched some new product and only 26% had introduced innovations in processes.

Concerning the independent variables, the survey shows that close to 100% of firms sampled in all the countries had Internet access. Over 55% of firms in the gastronomy sub-sector had made investment in ICT in the last year, while the figures rose to 70% in the accommodation and travel agency sub-sectors. The use of RFID technologies is negligible in all sub-sectors as a means to communicate with people, with under 5% of firms interviewed using them. E-business plays a major role in the way in which they operate in the accommodation and travel agency sub-sectors, while in the gastronomy sub-sector it plays not part at all in around 45% of firms interviewed.

Firms in the travel agency sub-sector placed more online orders than in the accommodation and gastronomy sub-sectors, while customers buy more products online in the accommodation sub-sector than in the other two sub-sectors.

Finally, with references to how significant the market in which firms operate is, the national market comes first in the travel agency and accommodation sub-sectors, followed by the international and regional markets, while regional markets are the most important in the gastronomy sub-sector, where national and international markets are less relevant.

ICT effect on firm outcomes

By means of multivariate analysis, this study will analyze how ICTs influence firm outcomes in the different tourism sub-sectors. Tables 3a-c present the effects that ICT has on competition, productivity and market share of companies, as well as on innovation.

The first column in each of the tables 3a-c analyzes the effect that ICT has on the level of competition in a given sub-sector. Only in the accommodation sector does the use of ICTs have any positive effect on competition. The effect of ICTs on the gastronomy sector is negligible, while in the travel agency sub-sector lack of data available makes the analysis impossible. In this sector, investment in ICT has a negative impact on competition. As concerns e-business, the more companies use e-business in all sub-sectors, the bigger the increase in the level of competition in that sub-sector, except in the case of travel agencies. In the gastronomy sub-sector, the use of RFID technologies and operating in international markets increase the level of competition.

As regards productivity and market share, while the use of ICTs increases market share in the gastronomy and travel agencies sub-sectors, it only increases productivity in the gastronomy sub-sector and it has a negative impact on travel agencies. In these same

two sub-sectors, online orders increase productivity and market share, while online sales increase market share in the gastronomy sub-sector.

The use of e-business has a positive effect on productivity as well as on market share in all sub-sectors. Operating in regional markets does not seem to increase productivity for firms in the accommodation sub-sector, whereas operating in international markets has a negative effect on the market share of firms in the gastronomy sub-sector.

The use of ICTs has a positive effect on process innovation in firms in the accommodation and travel agency sub-sectors; they also have a positive effect on product innovation when used by travel agencies. In general, the use of e-business and both online orders and sales have a positive impact on product and process innovation in all sub-sectors. The use of RFID technologies helps process innovation for firms in the accommodation sub-sector. Finally, operating mainly in regional markets has a negative effect on innovation in both products and processes in the travel agency sub-sector.

CONCLUSIONS

On the whole, it has been proved that the use of diverse ICTs has little effect on the level of competition as well as on increasing productivity, while in general, they have a positive effect on increasing the market share of the firms. Besides, the use of ICT seems to favour innovation in the companies, considering innovation as launching new products / services to the market, as well as improving or introducing new processes. Likewise, e-business increases the level of productivity, market share and process innovation. Online orders have a positive effect on process innovation.

This study shows that the influence ICTs have on competitiveness, productivity, market share and innovation are very different depending on the sub-sector. While in the accommodation and gastronomy sub-sectors ICTs have a great impact, in the travel agency sub-sectors they seems to promote an increase of market share and innovation, but it affects in competition and productivity negatively.

Table 3a. Probit and ordered probit results of the influence of ICT on firm outcomes in the accommodation sub-sector.

	Competition increase	Productivity increase	Market share increase	Product Innovation	Process Innovation
Use ICT	1.331*** 0.471	0.127 0.261	0.321 0.356	0.61	
I C T				-0.090 4	3.780*** 0.189
investment	-0.005 0.120	0.107 0.065	0.192** 0.076	0.10	
				0.358*** 4	0.404*** 0.120
R F I D				0.31	
technologies	-0.693 0.512	0.011 0.306	0.468* 0.278	-0.046 1	0.601* 0.362
				0.07	
e-business	0.429*** 0.113	0.224*** 0.061	0.145* 0.086	0.212*** 7	0.248** 0.102
				0.11	
Online orders	-0.049 0.152	0.145 0.112	0.142 0.114	0.289** 5	0.376*** 0.118
				0.12	
Online sales	-0.041 0.138	0.106 0.106	0.026 0.130	-0.017 2	-0.017 0.132
R e g i o n a l				0.13	
market	-0.227 0.171	-0.227** 0.101	-0.099 0.101	-0.063 9	-0.134 0.141
				0.13	
International	-0.019 0.100	-0.119 0.135	-0.006 0.130	0.053 4	0.113 0.094
market					
N	502	688	671	715	715
log-likelihood	-346.802	-568.966	-592.998	-451.105	-410.672
R2	11.54%	6.27%	4.64%	10.06%	14.99%

Table 3b. Probit and ordered probit results of the influence of ICT on firm outcomes in the gastronomy sub-sector.

	Competition increase	Productivity increase	Market share increase	Product Innovation	Process Innovation
Use ICT	-0.193 0.286	0.298*** 0.089	0.224* 0.127	0.19	
I C T				-0.204 3	-0.066 0.147
investment	0.201 0.131	0.150* 0.080	0.143** 0.070	0.09	
				0.277*** 4	0.354*** 0.087
R F I D				0.39	
technologies	0.808* 0.416	0.454 0.463	0.202 0.267	-0.009 5	0.198 0.344
				0.06	
e-business	0.303*** 0.115	0.192*** 0.062	0.091** 0.047	0.209*** 1	0.368*** 0.081
				0.11	
Online orders	0.000 0.112	0.181** 0.091	0.235*** 0.067	0.180 9	0.233*** 0.078
				0.08	
Online sales	0.009 0.128	0.112 0.070	0.270*** 0.060	0.129 9	0.185** 0.094
R e g i o n a l				0.09	
market	0.103 0.112	0.059 0.097	0.027 0.095	-0.104 0	0.024 0.119
				0.15	
International	0.472** 0.228	-0.114 0.118	-0.269* 0.152	-0.076 3	0.034 0.148
market					
N	434	1,016	996	1,037	1,033
log-likelihood	-275.808	-895.567	-895.239	-623.006	-535.948
R2	8.77%	8.37%	8.05%	9.30%	15.42%

Table 3c. Probit and ordered probit results of the influence of ICT on firms' outcomes in the travel agency sub-sector.

	Competition increase		Productivity increase		Market share increase		Product Innovation		Process Innovation	
Use ICT							0.44			
I C T			-4.314***	0.289	0.819***	0.187	4.431***	3	4.585***	0.342
investment	-0.564***	0.151	0.076	0.137	0.370**	0.165	0.054	3	0.102	0.190
R F I D							0.27			
technologies	0.249	0.563	0.818	0.548	-0.270	0.574	0.178	8	0.017	0.285
e-business	0.186	0.121	0.238***	0.091	0.166*	0.098	-0.044	2	0.233*	0.134
Online orders	0.209	0.194	0.315**	0.146	0.354**	0.141	0.351**	1	0.704***	0.131
Online sales	-0.117	0.175	0.148	0.157	0.001	0.181	0.562***	6	0.013	0.147
R e g i o n a l							0.16			
market	0.061	0.224	-0.177	0.137	-0.199	0.207	-0.299*	7	-0.388**	0.183
International							0.14			
market	0.081	0.154	0.089	0.116	0.190	0.134	0.055	2	0.287	0.181
N	239		308		292		317		317	
log-likelihood	-175.523		-241.824		-249.740		-198.568		-179.264	
R2	7.78%		14.08%		14.25%		16.61%		25.40%	

*** p<0.01; **p<0.05; *p<0.1.

Control variables included

Standard deviation in brackets.

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MAM Baby Products - Strategic Planning and Leadership Analyses

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Abstract

MAM Baby has established itself as a global leader in the multi-billion baby products industry. This case study analysis suggests a strategic planning approach the company should consider in order for it to maintain its global position and/or to maximize its global growth prospects. This strategic planning approach utilizes several important leadership/management tools including a 'PEST' analysis and a 'SWOT' analysis. In developing a strategic planning approach, it also suggests strategic alternatives for MAM Baby to contemplate in pursuit of its international growth agenda. Finally, it provides a requisite strategic leadership framework for its strategic planning and anticipative global growth.

Keywords: MAM Baby, strategic leadership, strategic planning, strategic alternatives

Introduction

MAM Baby is a global participant in the worldwide baby products industry. This article addresses the questions and issues involving a critical case analysis of MAM Baby's strategic planning and leadership in context of its anticipated continued global growth. The Strategic planning analysis includes an overview of the baby products industry, a MAM Baby company overview, a MAM Baby "PEST" Analysis, and a SWOT Analysis of the company. It concludes with a leadership analysis of MAM Baby in context of requisite global leadership qualities and characteristics.

Strategic planning analysis

Strategic planning reflects an organizations strategy defining process and the resources required to pursue this strategy. However, in order to define a selected strategy, it is important to understand the industry in which the organization operates, and the organization itself. An overview of each is provided, followed by two key business analysis techniques often used by organizations in strategic planning—a PEST Analysis followed by a SWOT Analysis.

Baby products industry overview

The baby products industry (also often referred to the "baby care products market") represents a large global market and offers products in a number of consumer segments. The main segments of the baby products industry include diapers, baby food, bottles & pacifiers, toiletries, skin care, and hair care (B2B Information, 2010). Baby apparel and footwear are sometimes included in this 'baby products' industry classification. Industry products are typically targeted at babies between the ages of 0 months to 18 months. However, some analysts broaden this age range to include "babies" between the ages of 0 months to 4 years (B2B Information; Velagapudi, 2011). It is precisely this broad depth of products and broad ranges of ages which have caused debate and confusion about the definition, size, and growth of the global baby products industry.

Global baby products industry. Global statistics for baby products industry sales are, at best, difficult to ascertain. Over 50 countries have a viable industry segment which caters to baby products (B2B Information, 2010). There are a few high-priced studies devoted to analysis of the industry, none of which to this writer's knowledge provide any forecasts for a consistently defined global 'baby products' market. However, analysis of several of the larger global baby products markets provides some insight into the size and revenue potential of the global market. In general, the United States and Western Europe have the largest shares of the global baby products industry (TransWorld News, 2011). The United States, currently the leading market, has an estimated \$7 billion annual retail baby products market (Packaged Facts, 2010). It is expected to enjoy strong annual growth with an increase of 20% predicted through 2015. The United Kingdom (U.K.), another significant baby products market, reportedly had 2010 sales of \$4.17 billion (IBS World, 2010). Euromonitor International (2011) projects that the U.K. and the rest of Western Europe will continue to enjoy baby products market growth in the range of 7 percent per year through 2014.

Growth in emerging regions such as Latin America and Eastern Europe, and growth in developing countries such as China and India are expected to enjoy high growth for baby products, albeit at a much lower base than mature regions such as the U.S. and Western Europe (Lennard, 2011; TransWorld News, 2011). The baby products market in China, for instance, was estimated at \$487 million in 2010 and is expected to experience significant continued growth due to its large population base and increasing "middle-class" consumer segment (Mood, 2009). India, another country with a very large population base, is expected to grow at a compound annual growth rate of 17 percent to over \$586 million in yearly sales by the end of 2012 (B2B Information, 2010).

Rising growth rates for baby products are being driven by several key factors: high birth rates in emerging markets, large population bases with increasing disposable income (e.g. China and Russia), and an increasing population of working women, (B2B Information, 2010; Velagapudi, 2011; SIS Market Research, 2010).

By any measure, the global market for baby products is substantial and will continue to expand for the foreseeable future. Euromonitor International (2011) projects that the global growth rate for the industry will continue at an approximate 7% annual rate. As such, baby products manufacturers such as MAM Baby are positioned for significant worldwide industry growth opportunities.

MAM Baby – Company overview

MAM Baby ("MAM") is a global manufacturer and marketer of baby products with product sales in over 30 countries on five continents (MAM success story, 2011). MAM and its subsidiaries operate companies in Austria, Brazil, Germany, Great Britain, Hungary, South Africa, Spain, Sweden, Thailand and the United States (U.S.). The company employs more than 400 individuals throughout its worldwide operations (MAMBaby.com, n.d.).

MAM's premium quality product portfolio primarily includes pacifiers, baby bottles, teething, and baby oral care products (MAMBaby.com, n.d.). In that regard, it is the market leader in the pacifier baby products segment in the U.S. and many Western European countries including Austria, the Czech Republic, Denmark, Finland, France, Norway, Slovakia, Sweden, and the U.K. (MAM Success Story, 2011). The company's primary market segments for its products include babies in the "0 to 6 months" and "6 to 18 months" age ranges (MAMBaby.com).

Great product design and technologically advanced products are key components to MAM's global success. To achieve these advantages, MAM coordinates and combines the work efforts of medical practitioners, renowned scientists, developmental scientists and midwives with those of design and technology specialists. Another key component of the company's success is its stable, long-standing relationships with its distribution partners. These distribution partners are granted market exclusivity within each region in which MAM operates, which "enables MAM's position in the market to be continuously built up and expanded" (MAMBaby.com, n.d.).

MAM sells approximately 40 million units of baby products around the world each year. It is estimated that about 50 percent of those sales are generated in Western Europe and 40 percent in the U.S. (MAM Success Story, 2011). As a private company, the revenues for MAM are not publicly disclosed. However, by factoring the company's purported product sales volumes with estimated average 'core' products pricing analysis, this writer estimates that MAM generates annual retail sales revenues are in excess of \$218 million per year. (See Tables 1 and 2 on the following page). Due to the fact that MAM is a private enterprise and does not disclose its income or loss figures, it is not possible to reasonably determine its internal annual profits/losses.

Table 1

Product	Price	# of Units/Sale	Average Price/Unit
Bottles - Anti Colic	\$11.50	3	\$3.83
Bottles - BPA Free	\$12.99	2	\$6.50
Bottles - Hold Me	\$6.99	1	\$6.99
Bottles - Ultivent	\$15.99	3	\$5.33
Bottles - w/ Handles	\$11.49	1	\$11.49
Formula Dispenser	\$4.49	2	\$2.25
Nipples - Cut Silicone	\$3.99	2	\$2.00
Nipples - Fast Flow	\$4.99	2	\$2.50
Nipples - Ultivent	\$4.99	2	\$2.50
Oral Care	\$6.00	1	\$6.00
Pacifiers - Clip	\$5.99	1	\$5.99
Pacifiers - Clip w/ Cover	\$9.99	1	\$9.99
Pacifiers - Latex	\$7.49	1	\$7.49
Pacifiers - Orthodontic Silicone	\$5.99	2	\$3.00
Teethers - Bite & Brush	\$5.99	1	\$5.99
Teethers - BPA Free	\$5.99	1	\$5.99
Toothbrushes - Training	\$3.99	1	\$3.99
Training Cups - w/ Handles	\$5.99	1	\$5.99
Training Cups - w/o Handles	\$5.99	1	\$5.99
Average Product Price			\$5.46

Note: Product prices were derived from a sample of 300 product "offerings" taken from global online marketer, Amazon.com, a key sales distribution center for MAM.

Key Assumptions: Product prices may vary within an approximate 15% range to account for special feature items, e.g. special colors, flavors, design variations, and generally cheaper online pricing. Only "core" products were included in pricing survey, (e.g., limited MAM Breastfeeding Support products were excluded.)

Prepared by Myles E. Mangram for SMC University Leadership Course (2011).

Table 2

MAM Baby - Estimated Annual Retail Worldwide Revenues			
# of Product Units Sold/Yr.	Avg. Product Price	Est.	Annual Revenues
40,000,000	\$5.46		\$218,491,228
Note: Annual unit sales estimates taken from MAM Baby Website "Facts & Figures" projections; Average Product Price taken from Myles E. Mangram's Amazon.com MAM Baby Products Survey (2011).			

The MAM culture is another reason for the company's continued success. MAM's 400+ employees are constantly involved in a global exchange of information and ideas focused on product design, technical innovation and medical research (MAMBaby.com, n.d.). Additionally, the company actively promotes a balance between work and family life. This culture successfully fosters an environment of creativity and innovation.

MAM is uniquely positioned to capitalize upon the positive developments in the global baby products industry. Accordingly, given the proper strategic plan and its effective execution, it is poised for significant growth and expansion.

MAM BABY – Pest Analysis

In order to better determine MAM's global growth prospects, business position and operational direction, a 'PEST' analysis is suggested. PEST stands for "Political, Economic, Social, and Technical" analysis (Decision Group, 2009). This strategic tool describes a useful framework of macro-environmental factors that may be analyzed to assess MAM's global outlook.

Political Factors. The Decision Group (2009) describes "political factors" as those which impact the degree of governmental involvement within an economy. These often include relevant factors such as national health and education. In that regard, an increasing number of countries have governmental policies which actively promote the health and well-being of babies. For instance, the U.S. and Canada have ongoing federally supported "Healthy Baby" programs and initiatives (Government of Manitoba, n.d.).

MAM offers various campaigns, such as its "Safe Sleep" campaign, which are synergistic with various governmental programs and initiatives. MAM's "Safe Sleep" campaign, for instance, helps to raise awareness and provides consumer information on baby care via parenting magazines and websites. These campaigns could more effectively be tied into these governmental programs and initiatives.

Economic Factors. 'Economic Factors' generally impact how organizations make decisions and how they operate (Decision Group, 2009). Relevant economic factors here include overall global and regional economic growth and outlook, and positive changes in personal income levels, such as an increase in the number of working mothers with babies (Market Intelligence, 2010). These drivers are increasing income levels in the middle-class, which consistently translate into demonstrable parental willingness to spend more on baby products (Velagapudi, 2011).

Not surprising, the ongoing global economic crises has notably impacted the sale of baby products. Packaged Facts (2010) points out that during economic crisis and economic recession many consumers often turn to "value-tier" baby products. However, it also predicts that anticipated improvements in disposable income (as of June 2010) should drive sales of the types of premium-priced baby products offered by MAM.

Social Factors. Various social factors affect the baby products industry in general and MAM specifically. Social factors include such aspects as demographics, health consciousness, safety concerns, and cultural aspects (Decision Group, 2009). MAM is firmly committed to "research and raising awareness to promote good health for babies" (MAMBaby.com, n.d.). MAM's development work also includes a strong commitment to social causes.

Demographic trends impacting the baby products industry and MAM's responses to these trends include an increasing older average age-range for first-time parents, and an increase in the number of working mothers with babies. These trends have benefited the industry by increasing the potential amounts spent per baby (Market Intelligence, 2010). MAM has benefited from these trends as the impacted consumer base generally focuses more on the types of 'quality' baby products produced by MAM.

From a cultural perspective, lifestyle changes and a gradual cultural shift in developing countries such as China and India continue to drive the demand for baby products (Velagapudi, 2011). Furthermore, there has been a consistent move toward more 'green' baby care products that are perceived to be more environmentally friendly and more "baby friendly" in terms of product ingredients (e.g. organic baby products) (Euromonitor, 2011; SIS Market Research, 2010). These developments are in line with MAM's demonstrated cultural sensitivities and eco-friendly designed products. For example, MAM decided years ago to switch from potentially harmful BPA production materials to safer, environmental- and baby-friendly alternatives (MAMBaby.com, n.d.).

Technological Factors. Technology factors, such as research & development ("R&D"), product design, etc., can significantly impact industry entry barriers and affect areas such as cost and quality (Decision Group, 2009). Technology drivers for the baby products industry include a movement towards more functional, ergonomic product designs, an emphasis on eco-friendly products, and greater R&D related to product safety (B2B Information; SIS Market Research, 2010). In that regard, the combination of unique product design, technological innovation and medical know-how is a core competency of MAM's premium quality baby products.

SWOT Analysis

'PEST' analysis in conjunction with SWOT analysis can effectively be used as a basis for strategic planning. SWOT stands for Strengths, Weaknesses, Opportunities, and Threats. Essentially, it involves specification of organizational objectives and the identification of internal and external environmental factors that are either favorable or unfavorable to achieving those objectives (Online MBA, n.d.). Accordingly, this type of analysis is instrumental to MAM's strategic growth planning and formulation.

Strengths. An organization's strengths include the characteristics that provide it with a competitive advantage over others in the industry (Online MBA, n.d.). MAM possesses numerous capabilities and resources that provide it with decisive global competitive advantages. MAM's culture places significant emphasis on unique products design, leading-edge medical research, and trend-setting technical innovation. The result is MAM's positioning as a market-leading designer for baby products (Baby Brands Direct, 2011). This leadership, for instance, has resulted in MAM becoming the market leader in the pacifier segment in the large and valuable U.S. market.

Another demonstrable strength of MAM is its global distribution network. Each major market is represented by an exclusive distribution partner. This allows for rapid and efficient product rollouts and allows MAM to quickly build up and expand its market position within any given market.

An intangible strength of MAM is its global recognition as a designer brand of premium baby products. It has a recognized brand profile on all five continents and over 30

countries. In some places, it is recognized as the baby products brand market leader. In recognition of this status, MAM has received numerous awards including the “Austrian State Prize,” the “Adolf Loos State Prize Design,” “Mother & Baby Gold Award,” the “IF Product Design Award,” and “Mercury Prize” for innovation (Baby Brands Direct, 2011).

Weaknesses. A company’s weaknesses include the factors that put it at a disadvantage relative to others. MAM’s primary weaknesses include its focus on a highly specific market and its higher premium-pricing. Focus on a specific market (e.g. babies in the 0 to 18 months age-range, and a relatively narrow product range) make the company more vulnerable to external factors such as a decrease in the number of individuals within its core consumer segment and increased competition. Moreover, its premium pricing limits its sales and growth prospects during periodic economic crisis and economic recession. This issue is of particular concern during the ongoing economic crises in the U.S. and Western Europe—two of its major markets. This pricing also impacts its ability to penetrate more price-sensitive markets in developing countries such as China and India.

Opportunities. Opportunities are those external factors that potentially enhance a company’s sales or profits in a particular environment. Several key environmental developments point to prospective opportunities for MAM’s global growth:

- Growing consumer base in developing countries
- Increased buying power and spending by an increasing number of later-aged parents and working mothers
- A growing awareness and demand for the type of ‘eco-friendly’ products designed by MAM
- Increasing concern over product safety—a benchmark of MAM product design.

Threats. Contrary to external factors creating opportunity, ‘threats’ are environmental elements that are potentially detrimental to an organization. MAM’s biggest threat is the number of competitors vying for market share in the global baby products industry. A number of these competitors include well-capitalized multinational conglomerates such as Platrix, Johnson & Johnson, Proctor & Gamble, Kimberly-Clark, Gerber, among others, that are not as susceptible to the type of narrow market downturns to which MAM is exposed. The company is further vulnerable to design and technological breakthroughs of these large conglomerates and smaller enterprises such as NUK—MAM’s strongest worldwide competitor.

MAM’s continued strategy of financial independence and narrow market focus further exposes the company to volatile economic market conditions.

Strategic planning summary

By any standard, MAM can be considered a global company. Not only does the company have a worldwide market presence, but in many of those markets it enjoys market leadership. The company’s current organizational structure fits its current growth strategy of continuing to design and market premium baby products through exclusive regional distributors. Moreover, its culture of excellence and innovation further support its strategic planning direction. There are, however, several strategic planning alternatives (discussed in the following section) which MAM may wish to consider.

Strategic Alternatives Analysis

A determination of strategic alternatives for MAM would benefit significantly from the analytical perspectives provided by an Ansoff’s Matrix assessment. Ansoff’s Matrix is a

popular framework for deciding upon organizational growth strategies. It includes four main selection categories: 1) market penetration, 2) market development, 3) product development, and 4) diversification.

A market penetration strategy primarily involves marketing a company's existing products to its existing customer base. A market development strategy encompasses marketing existing products to a new market. A product development growth strategy involves developing new products to be marketed to existing customers. Finally, a diversification growth strategy involves a company marketing entirely new products to new customers (MarketingTeacher.com, 2000).

Based upon the limited information available about MAM's strategic planning and marketing, it appears that the company has expanded to date primarily via market penetration and market development growth strategies. A market penetration strategy is evidenced by MAM's market leadership in the pacifier segment in the U.S. and a number of Western European countries (MAMBaby.com, n.d.). The fact that MAM's limited line of products are sold in over 30 countries suggests current adoption of a market development growth strategy (MAMBaby.com, n.d.). As discussed previously, MAM's culture fosters individual creativity and innovation. As a result, its people have the type of fertile imaginations necessary for these types of growth strategies to become successful and sustainable.

The following visual presentation (Figures 1-5) suggests two Ansoff Matrix-based alternative strategies that MAM might consider for continued global growth, further product development, and diversification.

Figure 1



Figure 2



Figure 3

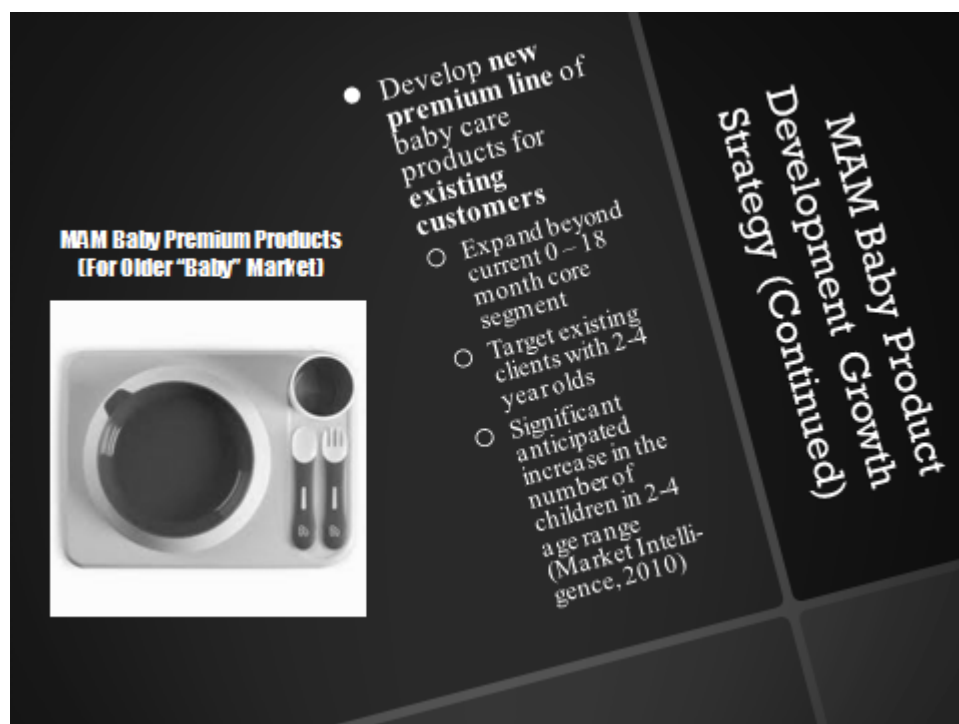
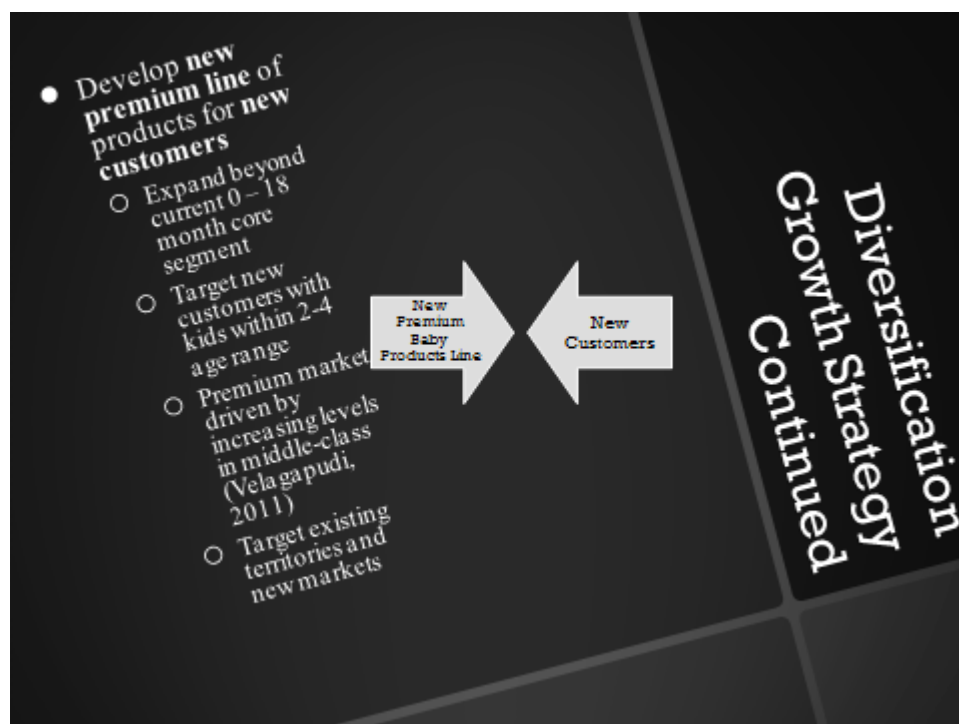


Figure 4



Figure 5



MAM Baby Leadership Analysis

MAM’s strategic leadership, as a prerequisite for its continued strategic planning and global growth, will require a highly diverse repertoire of qualities. In order to effectively manage its continued globalization efforts and guide its efforts through anticipated environmental

turbulence, MAM's leadership (particularly its CEO/President) will require the following essential strategic leadership characteristics proposed in the Wanasika (2009) Global Leadership Model: "future orientation, propensity to take action, propensity to take risks, and absorptive capacity" (p. 2). He/she will also require the type of unique "global mindset" discussed by Herbert (2000) in his treatise, *Creating a Global Mindset*.

Absorptive capacity refers to a strategic leader's ability to make sense of complex global environments and strategic alternatives within an environment of incomplete information and ambiguity (Wanasika, 2009). This attribute would enable MAM's CEO/President to better process and synthesize new information, and embrace new strategic paradigms, while increasing his/her knowledge base.

Future orientation relates to a strategic leader's ability to foresee the company's future and a strategic pathway for getting there in the midst of chaos and risk (Wanasika, 2009). This quality will be required of MAM's CEO/President, who must be prepared to steer the organization through global uncertainty and to take risks in the present in order to ensure MAM's future viability and growth.

The propensity to take action is another key component of MAM'S CEO/President. This will necessarily involve his/her ability to make effective strategic choices and to confidently take action based upon those actions in a timely manner.

Risk taking is yet another quality that is required of MAM's CEO/President. Risk taking has been a necessary force that has driven MAM's growth from the sale of its first pacifier in Vienna in 1976 to its current global baby products market presence in over 30 countries. It will be a vital component of its future growth and expansion.

The four essential leadership qualities discussed above, when leveraged together, should provide MAM's CEO/President with the tools necessary to achieve a strategic focus--leading and navigating organizational change through dynamic environments to sustainable competitive advantage (Wanasika, 2009). However, a final leadership quality—global mindset—is necessary in order to maximize MAM's leadership effectiveness.

The global mindset discussed by Herbert (2000), reflects the aggregate mindset of all of an organization's members. However, senior management, particularly its CEO/President exerts major influence over the corporate mindset. The driving force behind MAM's global executive leadership 'mindset' is what Herbert describes as "top management's view of the world" (p. 190).

Conclusion

MAM has established itself as a global leader in the evolving baby products industry. This analysis suggests a strategic planning approach the company should consider in order for it to maintain its global position and/or to maximize its global growth prospects. This strategic planning approach incorporates several key leadership/management tools including a 'PEST' analysis and a 'SWOT' analysis. In developing a strategic planning approach for MAM, this writing also suggests unique strategic alternatives (premised upon 'Ansoff's Matrix') for MAM to contemplate in pursuing its international growth agenda. Finally, it has provided a strategic leadership framework as a prerequisite for its strategic planning and anticipative global growth.

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Perception of Romanian Tourists Regarding Supplemental Services of Accommodation Facilities in Romania

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Abstract

Performances of accommodation facilities (hotels, motels, villas) conceal a series of particularities derived from the offers characteristics, respectively from the dynamic of the analyzed touristic market. Therefore, in order to gain a better position in tourist minds and to create comparative competition advantages (meaning a solid differentiation potential), accommodation facilities must also consider supplemental services. Such services can be divided accordingly to the three phases of a performance process (potential phase, process phase, result phase) and could contain touristic accommodation packages offered by travel agencies or tour-operators, consultancy given to tourist before, during and after their stay, transport, board and meals, complaint management, salon-services (such as cosmetics, hairdresser, sauna, massage, aerobic); accommodation facilities should also focus on inducing a spirit of relaxation or of adventure and emphasizing exclusivity, sympathy or trust of their performance.

Our research aims to highlight possible theoretical supplementary services that can be assigned to the three phases and to point out through an empirical research conducted on 800 tourists from a major Romanian city, tourist perception of services provided by accommodation facilities. Furthermore we will concentrate our research on possible strategies that can be pursuit by such facilities, in order to gain better client retention.

Key words: accomodation facility, touristic performance, supplemental services

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Introduction

Among the tourism units that provide accommodation facilities are the hotels of different stars, the rural and urban motels, villas, camping sites etc. In addition to their basic service –the accommodation proper – all these units provide a range of extra services with the purpose of creating a feeling of satisfaction with the internal or the foreign tourist so that s/he in turn may recommend the unit to others or return on another occasion. The role of marketing is, in this context, to harmonize and improve the performance of each element that may contribute to the increasing of comfort and enjoyment of the tourist customer during his/her stay, and also to satisfy their ever-changing needs, desires and

whims. Therefore, the chances of success of the hospitality industry will only increase if the providers of accommodation services properly understand their role in the satisfaction of tourists and are able to act accordingly.

In this sense, the role of marketing research increases significantly due the necessity of a proper study of motivation, respectively of consumers' perception. For the hospitality industry it is relevant to identify the elements that activate consumption behaviour, respectively that determine a tourist to prefer a specific resort, hotel or travel agency. Understanding the psychological significance attributed to each component of tourism package offer (Pop, 2000, pp.74-76) will allow a performance increase, respectively to a better position of the unit on a competitive market.

The success of a tourist accommodation unit is highly dependent on the ability of the top management to foresee or anticipate the domain-specific trends and evolutions ahead of their competitors. Therefore, the management of the hotel unit should take into account phenomena such as the economic globalization, the strengthening of their own business, entering tourism niche markets, performance diversification, resorting to new methods of virtual distribution or conventional advertising media, social responsibility towards the environment (development of ecotourism, waste recycling, conservation of the natural environment) or towards the community within which they operate, and orientation toward the network or relationship marketing (Abbey, 1993, p.5).

The new Eastern European markets as well as the countries featuring mountain areas and seashore represent important tourist destinations for the hotel industry, managing to successfully compete with the units of the traditional areas of the globe by charging small transport and accommodation tariffs, by providing extra services and employing hospitable/amiable and professional staff. Naturally, all these elements led to the planning, elaboration and application of very costly strategies. Consequently, the hotel industry units are compelled to repeatedly research the tourists' behaviour, preferences and motivations with a view to constantly diversifying their extra services supply and developing unique competitive advantages.

Demand characteristics of hotel services

With the increase in the amount of leisure time and in the income of many big segments of active population, the appearance of the paid leave and cheaper tourist offerings for the mass tourism, the demand of hotel services has risen sharply. At present, the following are the most important trends in the demand and consumption of hotel services (Vorzsak, 2001, p.189):

- tracing the cultural roots, the authentic peculiarities of the area;
- searching for individualized properties, different from the other ones;
- seeking one's physical and mental balance through relaxing physical activities such as jogging, bicycle rides etc;
- the tourists' taking up of adventurous/extreme sports;
- the tendency to opt for several holidays during one year and shorten the stay in a single destination;
- getting back to nature, in the rural, unpolluted areas and the practicing of agro-tourism or ecotourism;

The demand for hotel services is obviously influenced by a range of economic, socio-demographic, socio-cultural and geographical and natural factors as well as by the international legislation and political climate, the transport and communication means or the audio-visual and print media (Freyer, 2009, pp.118-124).

Among the relevant economic factors, the first one which has a direct bearing on demand is the population's income, since in the case of tourist services demand grows or shrinks according to the amount of the income. The demand for hotel services comes for the most part from developed countries. The economic factors also include the money allocated by the companies for business travels, organization of conferences or meetings, availability of consumption credits and the level of interest rate, the population's proclivity towards saving, the current economic standing of the destination country correlated with the tourists' interest in it, inflation, the exchange rates and the level of tariffs for hotel services.

Culture influences the potential customers' aspirations, attitudes, motivations and lifestyle and, consequently, the demand for hotel services, because travels are oftentimes motivated by the desire to discover new cultures, traditions, mentalities or customs (knowledge-oriented tourism); that is why the services characteristics should take account of the expectations of the potential guests. The higher a person's educational level is, the higher are his/her chances of traveling more, both for business purposes and for the personal pleasure (Middleton, 1996, p.39). At the same time, the social class that a person belongs to, his/her status in society and reference groups will affect the choosing of a particular accommodation unit or a particular tourist destination. The climate and weather conditions, the natural and man-made disasters equally influence the demand for seaside or mountain accommodation units.

Therefore, a proper segmentation of the hotel market becomes relevant in this context. According to Middleton (1996), the segmentation may be made according to the purpose of the travel, the consumers' needs, motivations and expected benefits, the tourists' demographic, economic and psychographic characteristics and the price of the products. Depending on the purpose of the travel, the following categories may be distinguished: business travels (attending symposiums, conferences, workshops, meetings, courses, scholarships, the traveling of maintenance or technical personnel), religious journeys (pilgrimages, meditation, study, attending the inauguration of a new place of worship), travels for social, interpersonal or ethnical reasons (visiting relatives and friends, attending name day celebrations etc) and travels for psychological or cultural reasons (taking up a sport, health care, recovery, relaxation far away from the ordinary life, attending festivals, visiting theatres, museums etc). And last but not least, other reasons for which people travel are related to leisure activities and entertainment (watching matches, games and other events, visiting amusement and team parks, shopping or culinary tourism, etc) (Wiesner, 2006, p.17; Rinschede, 1992, pp.51-67; Bär, 2006, p.9; Bieger, 2002, p.56).

A central place in consumer behaviour is occupied by the tourists experienced satisfaction, respectively its intensity towards the benefited performance. In order to come to a certain level of satisfaction, a tourist will use an own mental standard, towards which he / she will evaluate his expectations, norms or other specific assessment tools. In this sense, the satisfaction represents "a true key of molding customer's acquisition behavior", which deals with three groups of variables: cognitive (based on superior quality of merchandise given by performance), affective (based on customers' feelings) and

cognitive ones (based on customer-provider interaction during the process of buying" (Pop, Stancioiu, Teodorescu, Pretorian, 2008, pp.72).

The 'hotel product' concept

Middleton (1996) believes that, from the visitor's point of view, the hotel product is perceived by consumers as an "experience" organized by providers in order to meet the needs and benefits looked for by the consumer segments. It comprises the initial experience and reactions when choosing the destination based on the information received from a leaflet or catalogue, the experience underwent during the process of information selection and conducting reservation procedures, the first impression created upon entering the accommodation unit and the first contact during lodging/boarding, the standard of the room and the facilities provided, interaction with the personnel, the quality of the meals and auxiliary services (room-service, shops/stores, leisure activities, office services, dry-cleaner's and laundry room etc), the check-out process and the subsequent contacts (direct mailing). The experiences had in relation to the hotel product may also comprise physical aspects (food, beverages), organoleptic benefits (quality of buildings and amenities) and psychological benefits (the feeling of comfort, relaxation, satisfaction). All these aspects and benefits are in close correlation with the benefits provided by the attractions of the tourist destinations.

Holloway (2002) and Medlik (2000) consider that the hotel product features five characteristics which contribute to customer satisfaction: location or position (determined by demand, the place of the economic activity, the level of competition, accessibility, visibility, attractiveness of surroundings, the architecture of the area, the existence of utilities, transport infrastructure and legal constraints etc), the facilities mix (bedrooms and amenities, restaurants, bars, meeting and sport rooms, swimming pools and saunas, tennis courts, other common spaces and recreation facilities), the image (the way in which the hotel portrays itself to the customers), the service, the quality of the personnel (degree of politeness and competence, amiability, personal attention, speed and efficiency), and the price (the value given by the hotel through its location, facilities, service and image, and the satisfaction derived by its users from these elements).

Dimensions of the hotel product

Grönroos (2000) considers that the hotel product is made up of three dimensions: the basic product, the facilities products and the support products. In the case of a hotel unit, the basic product is represented by the accommodation services provided during the night, along with the organization of other events such as festive occasions, reunions etc. The facilities products comprise the services offered to a tourist so that s/he may have access to the basic product in order to use it. An important feature of the facilities services is their availability at any time of the day. In order to design hotel products, one has to properly understand the necessities of the target segment for which the product is designed. The support products are added to the basic products in order to increase their value and to differentiate them from the competitors' products (fitness room, business centre).

Research methodology

In order to assess how tourists perceive the extra services provided by the hotel units, a survey-based empirical study has been conducted using the face-to-face questionnaire

administration. The interviewees were tourists boarded in two, three, four or five-star hotels located in a city of about 400,000 inhabitants in the centre of Romania. Located in the heart of Romania, the city is a tourist destination for pleasure and relaxation as well as for business purposes, a place chosen by many multinational companies to open production or services supply units.

The body of the analysis focuses on the comparison between the Romanian standards in the hotel field, which stipulate certain minimum facilities that an accommodation unit must have for each star, and how tourists perceive the existence or non-existence of the said facilities. For each type of facility and amenity, respectively, a statement has been formulated according to the standard, the tourists being invited to assess it on a Lickert five-point rating scale.

In the final part of the analysis, some strategic directions have been put forward which should help the management of the local hospitality industry to better adapt to the market realities and the customers' requirements.

Research findings

The sample characteristics

Although over 900 tourists were initially approached, only 795 questionnaires were interpreted as more than 10% of them were not completely filled in. In the city where the survey was conducted, most hotels are three and four-star, the percentage of respondents who chose these accommodation units being 77.6%. The remaining respondents chose two-star (16.7%) and five-star (5.7%) hotels, respectively. 48.8% of respondents were men and 51.2% were women. As far as age is concerned, most of the interviewed tourists are between 35 and 44 years old (27%), followed by the category 25-34 (16.2%) and those over 65 (16.1%). About 70% of respondents completed graduate or postgraduate training whereas less than 10% graduated from a vocational school. According to the language they speak, 73% are Romanians, 15% Hungarians, 4% Italians, 6% Germans and 1% English or French. Whereas 20% of respondents earn more than 1000 euros per month, another 20% have monthly revenues between 500 and 700 euros. Almost 55% of the tourists stay between 2 and 4 nights, 23% stay a single night at a hotel whereas 6% state that they sojourn longer than a week. Whereas one third of the tourists state that they booked in more than five times at the same hotel unit, 30% visited it two or three times and 18% state that they stayed only one time.

The tourists' perception of the services provided by the accommodation units

As to the bed linen, towels and bathrobes, at the three, four and five-star accommodation units they have to be white and made of silk or pure cotton. At the same time, the standard stipulates that they have to be changed as soon as the tourist checks out or, if a tourist sojourns a longer period in the unit, they will be changed whenever necessary, at the wish of the tourist, or every three days, on average. The tourists are also informed about the standard procedure regarding the change of linen or towels as well as the fact that frequent washing leads to an increase in water and detergent consumption which might cause environmental problems or excessive pollution (Order of the Romanian Tourism Minister Nr. 510 / 2002).

The tourists were interviewed with respect to the degree of comfort they feel through the use of as well as the regular change of bed linen and towels. As shown in Table 1, the surveyed tourists displayed a perception highly influenced by the hotel's level of classification. A form of subjectivism or even prejudice was expressed, highlighting that the quality of these articles is closely related to the hotel category.

Table 1.	2*	3*	4*	5*	On average
The towels are soft, fluffy and make me feel at home	3	3,41	3,88	4,16	3,6
Towels are regularly changed	3,59	3,87	4,1	4,38	3,96

Moreover, we took the liberty of asking the tourists boarded in these hotel units to state the degree to which they believe that the units make the necessary efforts to preserve a clean environment (even by giving up a share of their profit), behave with responsibility toward the environment and act conscientiously to reduce the quantity of waste they produce. As surprising as it may seem, according to Table 2 the tourists boarded in five-star hotels state that they have noticed at these units a limited concern with the environment.

Table 2.	2*	3*	4*	5*	On average
The accommodation unit seems to give up profit in order to preserve a clean environment	2,5	2,87	3,23	2,98	2,98
The accommodation unit seems to be responsible toward the environment	2,7	3,18	3,39	3,31	3,2
The accommodation unit seems to try its best to reduce the amount of waste	2,43	2,96	3,12	3,24	2,96

The standards concerning the minimum criteria that a hotel must fulfill also deal with aspects related to the general condition of the building. Therefore, regardless of the star rating, the building must have an appropriate physical aspect, must display a distinctive mark by which one may recognize the category to which it belongs and possess access for the disabled. The three up to five-star hotels must display a luminous signboard and possess parking places for 20% up to 30% of the number of rooms. The number of parking places must equal that of the rooms only in the case of motels.

As shown in Table 3, we used the above standards as reference to ask tourists to state the degree to which they believe that the accommodation units should possess access for the disabled. Opinion among tourists is that there are few accommodation units which are genuinely concerned with providing adequate access for the disabled and ensuring protection services for the car park. And last but not least, along this line a rather unfavorable opinion was also expressed with regard to the insufficiency of parking places.

Table 3	On average
I highly appreciate that the unit has access for the disabled	3,34
The physical aspect of the building is appealing	3,97
The exterior lighting of the building is very good	3,80

All the unit's facilities correspond to its number of stars	4,06
The hotel has a sufficient number of parking places	3,61
I prefer this accommodation unit because the car park is guarded	3,50

The conventional hotel standard stipulates that, regardless of the star rating, the reception should provide left luggage offices, spaces for administration, offices for the housekeepers as well as properly trained and qualified personnel. The three-star and higher hotels must provide round-the-clock reception services. When interviewed about the reception services, the tourists replied that the check-in and check-out reception services are most efficient with the five-star hotels (Table 4), being slightly neglected by the units of an inferior category, which is very surprising given that this aspect is fundamental according to theoretical norms.

Table 4.	2*	3*	4*	5*	On average
The check-in and check-out services are efficient	3,66	3,78	4,1	4,31	3,94
The hotel has well trained and properly qualified staff	3,5	3,85	4,07	4,58	3,93

The third criterion of the same standard refers to equipment facilities that a hotel must possess. These facilities cover a wide range of aspects such as the existence of the climate control system with the four and five-star hotels, the compulsory equipping of the unit's treatment centres with air-conditioning systems, proper insulation of the rooms, equipping all sleeping rooms with lighting, providing each bed with bedside or wall lamps, proper equipment with elevators/lifts.

As we have tried to avoid overwhelming the tourists with questions dealing with each of the above aspects, we only selected three basic elements that were used as reference for measuring the perception of the guests, namely, the degree to which the air-conditioning contributes to the increase of the comfort enjoyed by the tourist/guest, the modern equipping of the hotel (installations, lamps, lighting in general) as well as the proper operation of elevators. As Table 5 reveals, the opinion among tourists is that the physical evidence displayed in various accommodation units meets to a satisfactory extent the customers' expectations. Although their opinions vary according to the hotel category, we appreciate that, on average, the hotel owners already understand the importance that the customers attach to proper equipment and, therefore, they demonstrate increased willingness to make the necessary investments.

Table 5.	2*	3*	4*	5*	On average
Air-conditioning makes the stay more enjoyable	3,11	3,58	3,82	4,38	3,66
On average, the hotel has modern equipment	3,49	3,91	4,02	4,58	3,93
The elevators are operating properly	3,08	3,56	3,89	4,42	3,68

The next standard criteria (from four to eight) refer to the minimum area and height of guestrooms and bathrooms, their breakdown being made according to the number of

beds. The dimension of stairs and hallways were also taken into account. In view of the fact that a tourist is less likely to immediately realize the height or the exact area of a room, the tourists were interviewed with respect to their perception of the overall ambience. Supposing that a room triggered pleasant memories in the mind of a tourist who returns to that same hotel, the respondents were asked to state the degree to which they prefer to be boarded again in the same room. In the case of the four and five-star hotels (4,05 and 4,44), the respondents consider that it is quite natural to return to the same room due to the previous satisfactory experience whereas this form of fidelity is less appreciated in the case of two and three-star hotels (3,57 and 3,67).

We also made an attempt to quantify the ambience by interviewing respondents in connection with the ongoing availability of the rooms. As shown in Table 6, the tourists appreciate that the three and five-star hotels feature a less profitable “partnership” due to a possible lack of common hotel-tourist experience which should form the base of a mutual knowledge and anticipate future visits.

The tourists were also asked to state if, in their opinion, the general condition of the hallways, stairs, bathrooms and the room cleanliness is up to their expectations. Despite the fact that, at least theoretically, this aspect should not be conditioned by the rating of the accommodation unit, the tourists boarded in four and five-star hotels were again the most satisfied with this sort of services.

Table 6.	2*	3*	4*	5*	O average n
The hotel has always available rooms	3,86	3,66	3,90	3,87	3,81
The condition of hallways and stairs is very good/excellent	3,44	3,78	4,02	4,51	3,87
The general condition of the bathroom is excellent	3,54	3,95	4,11	4,53	3,99
The cleanliness of the room is exactly as I expect it to be	3,56	3,95	4,36	4,6	4,11

The quantification of the customer perception was made across four items which highlight in a concise form all the aspects related to bathroom facilities (the intrinsic characteristics and the manner of changing the bathroom linen—towels or bathrobes, the proper operation of electric appliances). We also wanted to highlight the tourists’ perception of bathroom cleanliness, a collateral aspect which is very important for an accommodation unit to create a positive image in the mind of consumers.

As Table 7 reveals, regardless of the hotel category, there is room for improvement, especially in the case of lower rating units which are not compelled by the standard to provide all accessories. However, if the accessories are present, then the hotel’s management should monitor more strictly their operation.

Table 7.	O average n
The towels are soft, fluffy and make me feel at home	3,6
The bathroom linen is regularly changed	3,96
The electric appliances operate properly	3,91

Walls and doors are always in perfect condition	3,97
Door security is excellent	3,97

The criterion no. 10 of the same standard refers to the proper equipment of the hotel room with furniture items and other interior decoration accessories. Regardless of the star rating, such objects have to be included in the overall facilities of a hotel room. The maintenance in perfect conditions of these facilities is obviously carried out with the purpose of increasing the comfort enjoyed by the tourists. In order to assess the customers' perception of these facilities we asked them to express their opinion about the general cleanliness of the room. It is good to know that the tourists consider that the hotel managers' concern with the general appearance of the rooms is noticeable with most accommodation units and the comfort offered is on an increasing trend.

Table 8.	O n average
The floor and the walls are clean	4,01
The cleanliness of the room is exactly as I expect it to be	4,11
I am satisfied with the TV cable programmes	3,88
Internet always operates within optimal parameters	3,65
Access to fax is a compelling reason to choose this unit	2,9
The minibar is properly equipped	3,63

Whereas the telephone is an essential facility of the hotels of two stars upward, the TV set or the radio are to be found in three to five star hotel rooms and the Internet connection is a must at the four and five star units. Interestingly enough, the tourists interviewed about the operability of the internet service and TV programs used the latter service to a greater extent than the Internet. Apparently the hotels have a lot to improve in terms of Internet services but it is also possible that the regular customers make little use of this facility, except for those who travel for business interests.

Despite the fact that the three, four and five-star hotels are required to provide the tourists with fax service, they take little advantage of the availability of this service. The likelihood that a tourist might need the fax service is very low, which explains why they overlook the possibility of using this service. As expected, the two star hotels are the units where the fax service is least used.

The refrigerated mini-bar is another compulsory convenience for a hotel room, regardless of the star rating. The items provided as well as the range of soft drinks and beverages should be in accordance with the tourists' expectations; however, on average, the tourists that this aspect is slightly neglected by hoteliers, especially with some units of low category where only the mini-bar itself is provided without being properly equipped.

Next the standard deals with the space for having meal and the bar. Whereas the four and five star hotels must have a restaurant, the other hotels must only have a space for preparing and serving breakfast. With three up to five star hotels, the breakfast may also be had à-la-carte. The restaurant bar is a must with the four and five star hotels. Of course, the menus should be varied and created as much as possible according to the

customers' choices. When asking the tourists to express their opinion about the quality of menus, we ascertained, rather paradoxically, that the tourists of the four and five –star hotels share an equal appreciation (4,33) whereas those lodged in two and three star hotels highlighted that the menus served were rather limited.

Another criterion used in the evaluation process referred to the quantity of the menus. Interestingly enough, the tourists lodged in the five star hotels expressed a lower level of satisfaction (3.91) than those who take meals in the four star hotels (4.06), their evaluation being very close to that of the tourists who have meal in the three star hotels (4.06), a fact which corroborates the finding mentioned at the previous point.

The promptness with which the tourists are served is another feature that we included in our evaluation. Therefore, according to the tourists' opinion about the promptness of restaurant personnel, meal serving is best with the four (4.31) and five-star (4.09) hotels whereas the two and three star hotels require considerable improvement in this field.

Table 9.	On average
I appreciate the menus for their quality	4,02
The menus are quite varied so that I may eat what I like	3,95
The portions are quite large	3,91
I highly appreciate the promptness with which I was served	3,92
The order is promptly delivered	3,89
Mealtimes are excellently scheduled	3,94
The table is always properly laid	4,05
The dishes are always clean	4,09
I can get my preferred sof drinks/beverages from the hotel's bar	3,8
The serving temperature of drinks is optimal	3,93
The range of drinks is broad	3,87

The last points of the standard refer to extra services that the customers may be supplied with: postal services rent-a-car or room-service (compulsory for hotels of three stars upward), providing tourist or cultural information for free, awakening customers on demand, booking tickets or other facilities, keeping the tourists' valuables in the hotel safes (regardless of the star rating) etc. To sum up, the tourists were asked to state their opinion about the room service, awakening, the information given by employees about the city/location, delivering newspapers or magazines in the room or at the reception. Our approach to these latter services started from the premise that they are a constant feature of each type of accommodation unit, although the hotels of lower category could supply these services more efficiently without incurring high expenses.

Table 10.	2*	3*	4*	5*	O average	n
The room-service of ... is excellent	3,03	3,42	3,93	4,38	3,64	
The „awakening” service is provided on time	3,46	3,62	4,05	4,16	3,82	
I prefer being lodged at this hotel because I receive information about the city and area where I am	3,15	3,51	3,83	4,11	3,63	
The newspapers and magazines in the room/at the reception are always up-to-date	2,74	3,22	3,64	3,87	3,37	

Hotels may obviously collaborate with various travel agencies or may provide sojourn reservation services by appealing to tour operators or their own on-line system. As the next table reveals, the on-line reservation is most appreciated by the people who book in five star hotels (4.60) although, in the context of the present hyper-competition, all hotels should pay more attention to these distribution channels.

Table 11	2*	3*	4*	5*	O average	n
There is active collaboration between the hotel and travel agencies	2,92	3,49	3,91	4,13	3,63	
The hotel sells sojourns through tour operators as well	2,93	3,25	3,77	3,84	3,47	
The hotel provides online reservations	2,98	3,84	4,18	4,6	3,9	

Among the extra services that a hotel unit may provide are the recreation services. The standard stipulates that these should include pools, steam room, sauna, solarium, tennis court, beauty salon and hairdresser's, fitness and medical gym rooms etc. In order to quantify the customers' perception of these potential extra services we asked the students to state their opinion about the recreation services that are most frequently provided by hotels: cosmetics, fitness, hairdressing, massage, sauna and solarium. The findings indicate a rather unfavorable perception which, on the one hand, reveals the lack of performance in connection with these services but, on the other hand, a limited usage of these services by the customers.

Table 12	2*	3*	4*	5*	O average	n
I am satisfied with the hotel's cosmetics service	2,32	2,66	2,96	3,6	2,79	
The fitness center is properly equipped	2,26	2,84	3,61	3,82	3,15	
The hairdresser/beauty salon provides competitive services	2,35	2,68	2,96	3,51	2,8	
Massage is given with remarkable ability	2,31	2,79	3,64	3,82	3,16	
Sauna is brought up to the highest standards	2,22	2,76	3,60	4,00	3,12	
The solarium equipment is up-to-date	2,19	2,71	3,22	3,58	2,90	

Additionally, we took the liberty of asking the tourists to state the degree to which they believe that the accommodation unit provides its customers with loyalty programmes

such as discounts for regular returns, loyalty cards, membership in a club, the possibility to use various extra services (sauna, massage, fitness room etc) for free or at reduced price. On average, all tourists expressed a positive appreciation with respect to the existence of a formal loyalty programme featuring the above elements. However, hotel owners should be more aware of the fact that the efficiency of the loyalty system will be highly dependent on the services provided.

Another proof is given by our research results. Tourists evaluate loyalty programs positively among two and five stars hotels. The average of 3.5 on the five point Likert scale reveals a limited concern of accommodation facilities towards the complex phenomenon of customer binding. In a global competition market, also specific to the Romanian economy, the intensive development of the touristic market by customer binding proves to be the best solution in relation with the extensive development efforts by attracting new market segments or customer groups. (Lendrevie, Levy, Lindon, 2009, pp.854-858).

Conclusions

The present research is in an exploratory study which approaches complementary elements of a touristic performance, respectively that contribute to customer value creation and to its binding to an accommodation facility. Although the research does not reveal a high degree of information aggregation, it can be regarded as a benchmark with practical elements notable for companies operating in the tourism sector. Furthermore some of the study's findings have important managerial implications and can be taken into consideration by hotels when planning new market development strategies.

In order to better asses' customer perception towards accommodation facilities performance it would be necessary to conduct on a regularly base such studies. In order to better succeed in finding out more exactly customer perceptions, respectively expectations it would also be useful to ask the same tourist when returning in a hotel. Of course, the success of such an approach could be its wide extent on an entire sector or accommodation resort, respectively on a better binding of customers which would be glad in returning, making recommendations to friends and relatives, respectively in spending more money in such accommodation facilities.

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The impact of national policy on the competitiveness of a relevant agribusiness sector for the Iranian economy

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Abstract

This study explores the impact that domestic policy has had on the competitiveness of the Iranian pistachio industry in the international market. Porter's (1990) 'national diamond' was selected as the appropriate model to unveil those competitive factors that have shaped the international development of the Iranian pistachio industry. The selected framework was applied to 11 firms operating in different areas within the pistachio value chain. Results from the study have shown that Porter's model needs to be slightly adapted to fully explain the development of the selected industry. This research project identifies those areas where adjustment through policy needs to be made to prevent a further erosion of the competitive position of Iranian pistachio producers against their main competitors from America. This paper also elaborates policy recommendations to improve the international competitiveness of Iranian pistachio firms against their rivals from America.

Key words: Competitiveness, policy, Porter's 'diamond', Iran, America.

Introduction

This is a time of great change in Iran. The Iranian government is in the process of introducing several policy changes that have the potential to transform the economic environment of several industries. Within the new policy package, a reduction in subsidies may have a profound impact on the competitiveness of non-petroleum industries (Majlis.ir, 2010). Pistachio producers have benefited from significant energy subsidies. A reduction of these subsidies may undermine the international competitiveness of an industry that is already losing competitiveness against more efficient American pistachio producers (Karimi, 2008; Topolansky, Gonzalez Triay and Mortaz, 2011).

It should be highlighted that the pistachio industry is one of the most important non-petroleum industries for the Iranian economy. It represents 6.8% of the total non-petroleum exports and generates \$689.4 billion (Karimi, 2008). Furthermore, there are approximately 1,760,000 people working in this vast industry (Sedaghat and Suryaprakash, 2006).

Iran and USA together dominate the world's pistachio production and exports. According to FAO (2006) 65% of pistachio world production comes from these two countries. Most

recently, Iranian pistachio producers have lost market share against American producers which have been more successful in meeting the new requirements of demanding markets. Many Iranian producers have failed to comply with the permitted levels of Aflatoxin required to trade in some affluent markets such as Japan and the European Union (EU) (Alavi, 2006). American pistachio producers not only achieve better quality but they have also become more efficient than Iranian producers. Research indicates that poor water quality used in pistachio orchards; insufficient water supply; and low efficient irrigation systems adopted by Iranian farmers are the main factors responsible for the decrease in productivity (Sedaghat, 2002; Hosseinifard, 2006). Abdolahi Ezatabadi (2008) analysed data from 1981 to 2004 and concluded that an uncoordinated policy making regarding: macroeconomic aspects, water resources, and agriculture has reduced farmer's welfare and encouraged an unsustainable expansion of pistachio acreage in Iran.

A deep understanding of the competitive position of Iranian's pistachio industry must be achieved in order to elaborate policy recommendations that could improve the competitiveness of Iranian pistachio firms in international markets. Competitiveness is a widely discussed and complex topic (Sharples and Milhan, 1990; Coffin, Larue, Banik and Westgreen, 1993; Chang Moon, Newman and Peery, 1995; Webster and Hamilton, 2009). There are many economic and business related frameworks that have attempted to explain why some companies within certain countries are more competitive than others at an international level (Requier-Desjardins, Boucher and Cerdan, 2003). However, most theories have failed to incorporate key factors that are important in explaining competitiveness in different sectors (Dunning, 1995; Foss, 1997; Sen, 2005; Piggot and Cook, 2006; Webster and Hamiltom 2009).

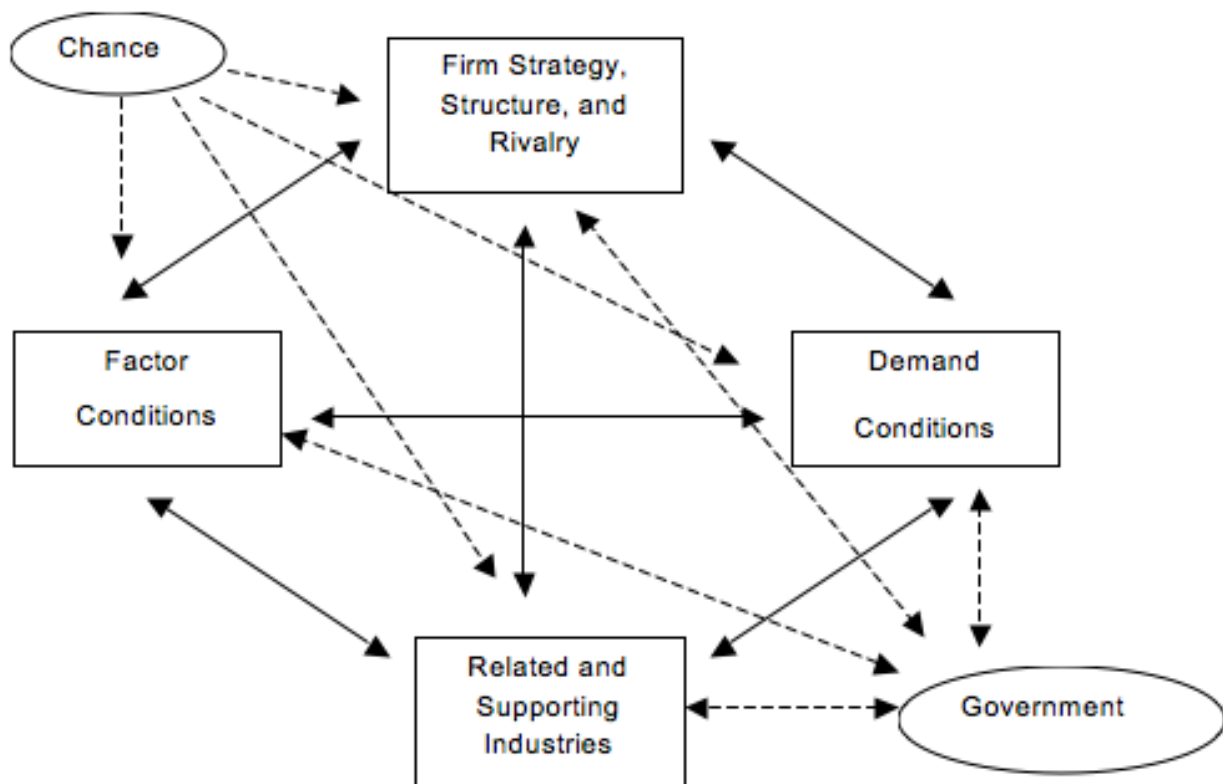
Business strategy theories have been more successful than international trade theories in explaining why some firms are more competitive than others internationally (Abbott and Bredahl, 1994). Among business strategy theories, Porter's (1990) 'national diamond' theory and the resource-based-view (RBV) theory have been recognized as the most appropriate theories for explaining why some firms succeeded on a global scale, while others failed to do so. Scholars who support the RBV theory argue that competitive advantage is achievable by a collection of routines, skills, and developing rare non-substitutable resources, which are difficult for competitors to imitate (Barney, 1991; Grant, 1991). The RBV theory focuses on the operation activities at the firm level but fails to discuss the impact that the external environment has on competitiveness.

After reviewing a wide range of models of competitive advantage and relevant theories of international trade, Porter's (1990) 'national diamond' was selected as the most suitable framework to understand the competitive position of Iranian pistachio producers in the international arena. Porter's 'diamond' is a useful mechanism for assessing the competitive advantage of nations under globalization (Nellis and Parker, 2006).

According to Porter (1990), a firm's domestic environment plays a key role in determining the firm's success or failure on an international scale. He argues that a suitable environment for the creation of competitive advantage is based on the attributes involved in a national diamond model based on certain determinants. Even though Porter's

approach uses the firm as the centre of analysis he also takes into account the role that exogenous factors have on firm's competitiveness (van Duren, Martin and Westgren, 1994). The main determinants embraced by Porter's 'diamond' are: factor conditions; demand conditions; related and supporting industries; and firm strategy, structure and rivalry. The model was later expanded to include two other determinants - the role of government and chance events - that address exogenous forces.

Figure 1: Porter's diamond model



Source: Adapted from Porter (1990).

Porter developed his model based on case studies from different industries in ten different countries. The variety of case studies used to develop the diamond framework make the model very robust when compared to other new trade theories. Porter's 'diamond' has been successful in explaining competitiveness in a wide range of industries from developed and developing countries (Lockwood, 1991; Van den Bosch and Van Prooijen, 1992; Allan, 1993; Davies, 2001; Oz, 2001; España, 2004; Bridwell and Kuo, 2005; D'Souza and Peretiatko, 2005; Sledge, 2005; Topolansky and Gonzalez Triay, 2011). Moreover, the 'diamond' model is the only model that has addressed three levels of aggregation: the firm, the industry, and the nation. The holistic approach of this model makes it suitable to understand the competitiveness of the Iranian pistachio industry.

Several studies have focused on the comparative advantages of Iranian pistachios. However, there is no research that has applied Porter's 'diamond' to the Iranian pistachio industry. The aim of this study is to assess whether Porter's 'diamond' model can

successfully explain the development of the Iranian pistachio industry. The application of the model to the Iranian Pistachio industry will help to understand the competitive position of the industry before developing policy recommendations to improve the competitiveness of Iranian pistachio firms against their American rivals in international markets.

Methods

A deductive approach was adopted as it was deemed to be the most suitable to achieve the aims of this study. This research selected an industry-level case study research strategy to analyse in depth those factors which have influenced the competitiveness of individual firms within the Iranian pistachio industry. In this study, the semi-structured interview was the major data collection instrument. A semi-structured approach allowed for expansion upon any interesting information that became apparent during the course of the interview even if it was not covered by the initial interview structure plan. Carrying out a questionnaire was not considered a suitable research method for this study because most firms within the Iranian pistachio industry are small and they are managed by low-income farmers who live in rural areas with limited access to formal education. Therefore, the chance of receiving a low response or misinterpreting the questions due to poor reading skills was considered high. In this scenario, a personal in-depth interview was considered the most appropriate research tool to gather the required data from key actors within the industry and to unveil the key factors and drivers of competitiveness of the Iranian pistachio industry.

Personal interviews were held with key-decision makers of the 11 firms participating in this research. Most of these firms were located in Kerman, others in Rafsanjan, Tehran, and Yazd. It is important to highlight that 80% of Iranian pistachio production is produced in the provinces of Kerman and Yazd. The selected case studies have different sizes ranging from 10 hectares to 100 hectares. Therefore, it can be inferred that the findings of this study are a fair representation of the current Iranian pistachio sector.

A total of twenty eight face to face in-depth interviews were carried out for this research. Six interviews were held with business owner-managers and twelve with managers, technicians and professionals. A further ten interviews were carried out with three exporters, two brokers, two academic professors from an agriculture University in Kerman and Rafsanjan, two researchers from Iranian Pistachio Research Institute, and one government employee from the Iranian Ministry of Agriculture. All interviewees had vast experience within the Iranian pistachio industry and had been working in the same area for at least five years. All interviews were conducted during 2011 and lasted about one hour and a half. Some respondents requested to remain anonymous. Therefore, collected primary data presented in the results section will not reveal the names of respondents. They are identified as PI (professional interviewee), OI (owner interviewee), GI (government interviewee), AI (academic interviewee), EI (exporter interviewee), and BI (broker interviewee).

The analysis of collected data followed a process of three steps involving: interpretation of the data, analysis stage applying the 'categorisation' technique, and interpretation of the findings (Saunders, Lewis and Thornhill, 2003).

Results

Does Porter's (1990) theory of competitive advantage work in an Iranian context?

After applying Porter's diamond to the Iranian pistachio industry, research findings suggest that the model seems to be a very valuable tool to identify weaknesses in those competitive factors that are constraining the potential development of the Iranian industry in international markets. However, the model needs to be slightly adapted to take into account the particularities of the industry under study.

Factor conditions

The findings of this study support the 'factor conditions' component of Porter's 'diamond'. However, not all Porter's factor conditions were considered relevant to the competitiveness of the Iranian pistachio industry. Infrastructure resources (including water resources, energy resources, transportation network, and capital resources) were identified as the most relevant factors for the success of pistachio firms.

Results from this research (EI, GI) have indicated that firms' location, port infrastructure and road infrastructure have all played a positive role in the success of pistachio organizations in Iran. For instance, producers in the provinces of Kerman and Yazd have enjoyed the benefits of having easy access to international markets through the Persian Gulf. A well-developed road infrastructure has facilitated the transport of pistachios to the processing plants and to the port.

The analysis of the data collected suggests that human capital training is not a factor condition associated with the success of Iranian pistachio firms. Owner-directors seem to be reluctant to invest in the development of their work force as they do not consider this relevant for the success of the business. This seems to be in conflict with Porter's hypothesis that training development is associated with competitive firms. However, Iranian pistachio producers are favoured by the oligopoly form of the market which is dominated by two players.

This study has revealed that the availability of local human resources (technicians) may prevent the future development of the industry. There are a large number of graduates from agricultural universities in Iran. However, interviewed professors pointed out that most courses are not catered to meet the requirements of the pistachio industry. They also mentioned that there is a lack of motivation from graduates to work in small farms which cannot offer graduates' expected salary or an attractive working environment.

The analysis of factor conditions influencing the pistachio industry, revealed that over-extraction of water – mainly in Kerman and Yazd provinces – is one of the most important constraining factors. Academic interviewees pointed that previous policies have encouraged water over-extraction among other unsustainable practices. Water over-extraction and a reduction of water quality have negatively impacted pistachio production in Iran.

Iranian huge energy subsidies have clearly influenced the cost of pistachio production. The new regulation for reducing energy subsidies will affect drastically the cost of the pistachio production and hence further reduce its competitiveness against American more efficient producers.

Qualitative data drawn from this research (BI, PI) has highlighted the difficulties faced by those involved in the pistachio industry, in particular the lack of access to capital resources. Most Iranian financial institutions are government-based. A time consuming process coupled with high repayments have discouraged pistachio producers from using these financial services. In America, on the other hand, financial institutions do not constrain the development of the pistachio industry.

Interviewees (PI, EI) have indicated that there are no government funds to support private research. However, government institutions such as agricultural research centres, the Ministry of Agriculture and public Universities have carried out research on pistachio production practices. The data from this present study indicates insufficient level of cooperation between these three bodies. Moreover, research outcomes are deemed to lack practical applications.

Porter (1990) states that generalized factors are not sufficient for creating competitive advantage in industries but they serve as a supporting structure from which factors of competitiveness are created. A country-based analysis would not support Porter's claim, as the Iranian pistachio industry has been successfully developed in spite of the generalized factors constraints discussed above. However, the lack of competitiveness of pistachio producers in demanding markets suggests that Porter's claim seems to remain valid.

Demand conditions

The qualitative analysis of in-depth interviews did support partially the 'demand conditions' component mentioned in Porter's 'diamond'.

International markets have had a large influence on the development of the selected industry. Interviewees (BI, EI) argue that international markets have been more important than the domestic market in influencing the Iranian pistachio industry competitiveness. Even though Porter's mention the role played by globalization he makes no reference to industries that have developed competitive advantage mainly based on international demand.

The collected data from this research indicates that Iranian consumers' preferences have not helped Iranian pistachio firms to anticipate the needs and preferences of pistachio consumers in affluent markets. For instance, Iranian consumers look for some physical characteristics of pistachios (long pistachios with open shells), while consumers from the EU are mainly concerned with food safety standards. Iranian producers have lost market share in affluent markets since Aflatoxin regulations were implemented. As suggested by Porter (1990), strong local demand and the ability to anticipate the needs of consumers in foreign markets could enhance the global competitiveness of local companies. This may help explain why the Iranian pistachio industry has lost market share in the EU market while American pistachio producers have increased substantially their exports to this region. It could be argued that the similarity of consumer preferences between Americans and European consumers has helped American pistachio producers to predict consumer's needs in affluent markets.

About four million refugees from Irak and Afghanistan migrated to Iran over the last 30 years. After the US government intervention in this area many refugees returned to their home countries and became potential buyers of Iranian pistachios. In the past, many Iranian pilgrims travelled to Saudi Arabia, Iraq and Syria. These trips fostered the development of long-term business relationships that have contributed to the expansion of the pistachio industry. These examples provide support to Porter's hypothesis that multinational or mobile buyers contribute to internationalization of domestic demand.

Firm strategy, structure, and rivalry

Results from the study provided support to most of the 'firm strategy, structure, and rivalry' factors of Porter's framework.

Data from this research revealed that the strategic decisions made by some owner-directors of Iranian pistachio firms were considered to be one of the determinants of firm's successful development. When food safety standards became a barrier to the Iranian pistachio industry, few highly motivated owner-directors adjusted their production techniques to meet the requirements of premium EU markets. These highly motivated owner-directors - belonging to the middle class - have become more efficient producers and have improved the quality of the final product. These firms have managed to penetrate demanding markets where customers are willing to pay premium prices. However, this has not been achieved by the majority of pistachio firms which are small and run by managers that are risk-averse and have low education levels. Qualitative data appears to support Porter's hypothesis that motivated decision-makers with clear goals are a prerequisite for achieving firms' success.

Many interviewees (OI) do not believe that good relationships between owner-directors and employees; employee training programmes; and communication across departments are prerequisites to achieve business success. Relationships between owner-directors and lower position employees were particularly bad. According to interviewees (AI), this is due to the lack of employment regulations within the industry. Qualitative data seems to lend support to Porter's hypothesis that on-going investment to upgrading skills and developing good work relationships are prerequisites to achieve competitiveness. Most firms participating in this research were underperforming and believed that one of the underpinning reasons could be poor working relationships.

Results from this study suggest that competition is mild in the domestic market. This is a consequence of most Iranian pistachio production being absorbed by international markets. Firms tend to slightly differentiate their produce to satisfy the needs of different markets. By targeting different markets firms avoid direct competition. The lack of domestic competition provides no incentive for domestic companies to develop core competences. This does not seem to support Porter's argument that intensive domestic rivalry could contribute to gain competitive advantage within an industry.

American pistachio producers are protected from foreign producers by a tariff barrier. The government has imposed a tariff barrier of 283.80% to raw pistachios and of 318.00% for roasted pistachios. The fact that the American pistachio industry was developed in a protected environment did not prevent it from becoming competitive in international markets. Porter claims that the national industry is benefited when some avenues for entry by foreign competitors are removed. The results of this study do not seem to fit well with this argument. However, we have to bear in mind that due to pistachio requirements (soil conditions and temperature) they can only grow in limited areas.

Related and supporting industries

The qualitative analysis of the data collected from this research has partly provided support for the 'related and supporting industries' component in Porter's model.

According to Porter's argument, a national advantage in a particular industry is related to the international success of its suppliers. Iranian pistachio firms mainly use domestic suppliers because they are more competitive on price. These suppliers are not successful internationally. Most interviewees (OI) claim that suppliers do not play a relevant role in the success of the industry. However, few interviewees (AI) mentioned that the poor quality of domestic irrigation system suppliers may have prevented the modernization of irrigation systems used by pistachio producers. A better irrigation system may have allowed a more efficient and sustainable utilisation of underground water resources.

Porter claims that a close working relationship between home-based suppliers and firms might improve the firms' competitive advantage. His argument is based on the idea that suppliers can help firms to adopt innovations and in return, companies can influence suppliers to develop products in line with industry standards. Data from this research suggested that firms tend to develop long-term relationships with their local suppliers of certain inputs such as processing machinery. However, for other agricultural inputs such as fertilizers, firms tend to prioritize the economic benefits over developing long-term relationships. The lack of competitive advantage of most Iranian pistachio producers in more demanding markets gives support to Porter's hypothesis that close working relationships with home-based competitive suppliers confers competitive advantage.

Government policy

The analysis of in-depth interviews did provide support for the 'government policy' component of Porter's diamond system.

The Iranian government controls many economic aspects that impact the pistachio industry through policy making. For instance, the government has opted for a floating exchange rate policy which has kept currency value stable over the last five years. In a country with a high rate of inflation a floating exchange rate policy affects the country's terms of trade. Interviewees (AI, EI) claim that this policy has diminished profit margins. This confirms Porter's argument that undervaluation of the value of a nation's currency can slow the upgrading of its competitive advantage resulting in long-term loss of competitive advantage.

Government subsidies and in particular energy subsidies have had a large impact in the development of this industry. This practice has not stimulated companies to adopt energy-efficient modern equipment. With an increase on oil prices and the government plans of reducing subsidies the competitiveness of the pistachio industry may suffer dramatically. This seems to be in line with Porter's view that subsidies are unsuccessful measures in trying to create competitive industries. A few inadequate policies have also affected negatively the production potential of this industry. The government has failed to design regulatory policies to protect underwater resources in Kerman and Yazd. If the government does not enforce a more sustainable use of water resources some farms will not be able to carry on producing pistachio in the future.

Porter (1990) argues that in order to achieve high levels of productivity, firms must have access to finance, specialized human resources, scientific knowledge, technology, economic information, infrastructure, research and other production factors. The

government can play a role enhancing the quality of these factors. Evidence suggests that the government has been unsuccessful in developing a platform to help the Iranian pistachio industry to achieve competitive advantage. This is reflected by a decrease in market share of Iranian firms in demanding markets. This confirms Porter's argument that a good government policy is necessary for firms to create competitive advantage.

Chance events

The analysis of the empirical data appears to support the 'chance' determinant in Porter's model.

The Iranian pistachio industry has been affected by several 'chance' events such as unexpected high temperatures, during the winter season, and the imposition of new sanitary barriers in affluent markets.

An adapted model for explaining the development of the Iranian pistachio industry

Results from this study indicate that Porter's 'diamond' seems to be an appropriate model to understand the competitiveness of the selected industry in an international context. However, after applying Porter's 'framework' to the Iranian pistachio industry, the research findings suggest that the model needs to be slightly adapted to take into consideration the particularities of the industry under study. This section presents an adaptation of the model to the singularities of the firms investigated in this study, as shown in figure 2.

Among the variety of factor conditions identified by Porter, there are three factor conditions that have had a large influence on the competitiveness of pistachio firms in Iran. These three factors conditions are: infrastructure (including water resources, energy resources, transportation network, and capital resources); human resources; and location. The adjusted model takes into consideration these particular factor conditions.

The domestic rivalry element of the 'firm strategy, structure, and rivalry' component of the 'diamond' model did not seem to have the relevance suggested by Porter. This is probably due to the fact that there are many international markets to which Iranian pistachio companies can export their produce. Therefore, the adapted model places more emphasis on the role of firm strategy and structure. This study has revealed that access to qualified professionals/technicians; national reputation and the motivation of owner-directors were the three key factors influencing the competitiveness of the targeted industry. Porter's model does not make reference to the role of trade associations. In Iran, this factor has been relevant in shaping the competitiveness of the pistachio sector. Hence, the development of trade associations will be considered as the fourth condition under the firm strategy and structure determinant of competitiveness.

Results from the study have shown that the role played by domestic demand has not been significant within the Iranian context as Porter's would suggest. For the Iranian pistachio industry, international demand has been far more important than its domestic demand. The influence of Iranian consumer preferences on many refugees that later returned to their homes is the only aspect of domestic demand that has shaped the development of the Iranian sector. This is considered in the adjusted model.

Government policy has played a larger role in determining the international competitive position of Iranian pistachio companies' than Porter's framework would have suggested.

To reflect this, the adjusted model will include government policy as a main determinant of competitiveness. Within the adapted model, continuous arrow lines reflect this emphasis. For instance, the Iranian foreign policy has had a big effect on several industries including pistachio. International sanctions against Iran have affected pistachio producers in many different ways. The adapted model reflects this reality by incorporating foreign policy under the government factor.

According to Porter (1990), 'Related and supporting industries' are another factor that will influence the competitiveness of a particular industry globally. In the case of the Iranian pistachio industry, close working relationships and on-going coordination with some home-based suppliers have contributed partially to the success of the sector. These factors are represented in the adjusted model as 'supporting industries within the local market'.

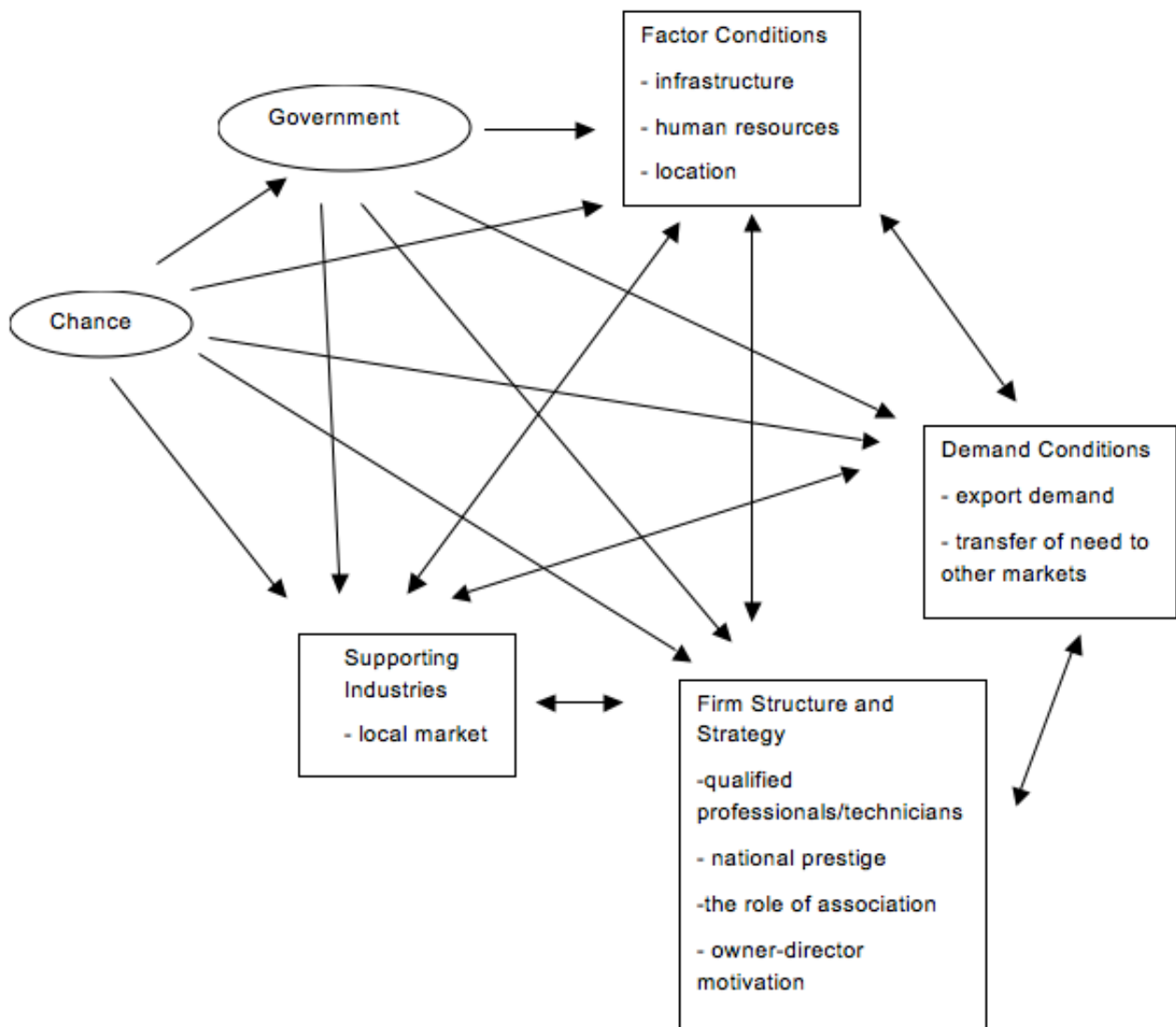
It is interesting to note that 'Chance events' have played a larger role in the competitiveness of Iranian pistachio companies' than predicted by Porter's framework. As a result, the adjusted model includes 'Chance events' as a main determinant of competitiveness. Within the model, continuous arrow lines reflect this recognition. Chance events are connected with other determinants of competitiveness with one-arrow ends. The model did not depict two arrow ends, because 'Chance events' have influenced other determinants, but the determinant itself did not seem to be influenced by other determinants.

Policy recommendations

Iranian exporters of pistachio face major tariff barriers in some attractive foreign markets. In order to minimise the impact of this on pistachio exports, the government, should adopt a more proactive role in trying to lower import tariffs for raw and packaged Iranian pistachios in these markets, which could be implemented through appropriate policy making. In 1986, the Department of Commerce, International Trade Administration (ITA) in the United States issued a preliminary decision under a Shipper Review of the antidumping duty order on raw pistachios from Iran. Since then, all Iranian shippers of raw pistachios have been applied a 283.80% duty (FASonline 2004). Some interviewees pointed that an appeal could be made against this decision. They believe that a tariff reduction may be achieved if the government, financially and politically, supports further development of the Iranian pistachio association

Foreign trade policy-making is another key area where the government can play a significant role in helping pistachio firms to increase their competitiveness. There is an opportunity to promote the unique taste of the Iranian pistachio as the unique selling proposition of Iranian produce. In order to communicate this message to foreign markets, and promote pistachio internationally, the government could make use of embassies, consulates, foreign trade associations and foreign government offices for this purpose.

Figure 2: The determinants of competitive advantage in the Iranian pistachio industry



In terms of quality assurance, the government has the opportunity - through policy-making - to influence the quality of the final product. For instance, the Iranian government may implement national standards of production to be mandatory. The government may also play a role in ensuring that small farmers have access to up-to-date farming techniques. The Ministry of Agriculture, Iran's Farmers Organization and The Institute of Standards and Industrial Research of Iran are responsible for making new pistachio information available to farmers. A lack of coordination between these organizations has prevented those efforts from fulfilling their objectives. Another problem is the staff's lack of expertise with regards to the key factors affecting the Iranian pistachio industry. After 15 years of trying to disseminate relevant new information, still most farmers do not have a clear understanding of the implications of Aflatoxin.

In order to compete in international markets, pistachio producers should have access to cutting edge pistachio production technologies. Qualitative data from this research indicated that there is not an appropriate level of support from external organisations to address firm's enquiries or disseminate relevant information. The government may improve the structure of those centres engaged in the promotion of new knowledge.

Results have also shown that the organization responsible of gathering statistics for this industry needs to be reorganized. At the moment, this organization produces unreliable data.

This research has identified that lack of access to finance constrains the competitiveness of the Iranian pistachio industry. Consequently, the government has an opportunity to make low interest loans available to different stakeholders in the pistachio industry. Low interest loans could be administered by The Agriculture Iranian Bank. Experts should encourage those practices that have been successfully implemented by a few Iranian top pistachio exporters and can be adopted by small farmers.

Results from this study suggest that the role of trade associations needs to be strengthened and considered in detail when developing policy related to the future of the Iranian pistachio industry. For instance, there is a need for a trade association to gather all stakeholders involved in the pistachio value chain. So far, the Iranian government has made unsuccessful attempts to bring together all the members involved throughout the pistachio value chain. It is important to have a pistachio trade association where all members can voice out their opinions and concerns. For this organization to be successful the government needs to grant it with decision making powers. This trade association could be funded with a percentage of income generated by pistachio exports. The government should closely monitor how these funds are spent.

Local human resources were identified as one of the factors preventing a further development of the industry. Interviewees argued that the domestic market has failed to provide the industry with qualified employees to work in the pistachio sector. The government should create policies aimed at developing highly skilled and specialized human resources. University programmes need to be carefully reviewed to ensure that graduates have the necessary skills to work within the pistachio industry. The government should also be involved in the development of courses and seminars to make the pistachio up-to date knowledge available for those managers involved with government and private organizations within the sector.

Qualitative data indicated that most firms do not invest in employee training programmes. This study has also identified that relationships between owner-directors and lower position employees were poor. The lack of employment regulations within the industry creates the right environment for tensions and conflicts to arise. The government should develop policies and regulations to improve working conditions as they are deemed to be important for improving the competitiveness of the industry. It could be argued that fostering acceptable working conditions would improve working relationships and in time the competitiveness of the industry.

Interviewees have indicated that there are no government funds to support private research. Moreover, research outcomes from public organizations seem to lack practical applications. Therefore, the government should allocate some resources to conduct relevant research in the public and private pistachio sector. The government needs to implement ways of coordinating research centres to carry out further research in areas which are essential and relevant for the competitiveness of the industry. There is plenty of scope to carry out research on some specific areas where seems to be a lack of research such as on farming techniques, irrigation, sustainable practices, and international pistachio markets.

Environmental policy is another area where the Iranian government can positively influence the sustainability of the pistachio industry. So far, the Iranian government has

done very little to protect the underwater resources of the country. In fact, over-extraction of water – encouraged by previous policies – has been one of the most important constraining factors of the targeted industry. In order to ameliorate this situation the government should enact environmentally friendly policies to protect water resources.

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A case review of Xpanxion: a software quality assurance startup

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Abstract

This case study follows the road to success travelled by Xpanxion, a leading software development firm, from their earliest days to their current success. Xpanxion is a pioneer in the use of a cross-sourcing development model that matches the customer's needs to the resource that is best for fulfilling those needs. Using the cross-sourcing model Xpanxion will typically develop the system architecture at the client's site, write the code for the software offshore, and then perform quality assurance functions using their rural resources. This matching of resources to requirements allows Xpanxion to deliver superior value to customers through a combination of high quality and reduced costs.

Keywords: Cross Sourcing, Outsourcing, Rural Sourcing, Case Study

Introduction

From the corn fields of central Nebraska to the bustling metropolis of Atlanta and across the seas to Pune, India, Xpanxion has created a unique business model in their ever growing and rapidly changing industry. They have developed a new way of developing software that combines the benefits of domestic sourcing to stay close to the customer with the low cost of off-shore development, and then added a third component of rural quality assurance and customer service to be the 'secret sauce' that brings it all together into an offering that few if any competitors can match. Xpanxion is able to do all of this by matching the talent needed for each stage of the software development process with the resource that can provide that talent at the most attractive price.

Paul Eureka - Founder

Paul Eureka grew up in the rural community of Loup City, Nebraska. From a very early age he developed a work ethic that is common among children raised on a farm. He got up early, took care of chores before school, completed his homework after school, and then helped on the family farm. His hard work continued in college where he earned a degree in Business Administration from the University of Nebraska at Lincoln (UNL) in 1982. During his studies at UNL Mr. Eureka realized that the information technology (IT) field was an area experiencing tremendous growth so he started searching for IT opportunities in Nebraska. To his regret he found that the economy in the state of Nebraska was still very agrarian and manufacturing based at that time so the opportunities in his home state were very limited. It was with a mixture of sadness because of having to leave his family and friends behind and excitement about the opportunities available elsewhere that Paul decided he would leave Nebraska to start his career. But he promised himself that someday he would return to the state he loves.

Mr. Eureka's first job out of college was working for the National Cash Register Corporation (NCR). At that time NCR was mainly focused on retail equipment such as bar code scanners and cash registers. Part of Mr. Eureka's job was to help transition NCR from a hardware based company to a solutions based company that used the appropriate hardware and software to help clients achieve solutions. It proved very difficult to transition NCR from a manufacturing mentality to a customer focused technology development mentality because of the enormity of the paradigm shift that was required. In order to overcome some of the institutional barriers Mr. Eureka started Compris Technologies in 1989 to focus on integrating software applications with industry leading hardware products. His split with NCR was very amicable and NCR was his earliest client and provided much of his early funding (P. Eureka, personal communication, March 12, 2010).

Early Lessons

Compris Technologies produced point of sale and enterprise reporting software used by companies as large and well-known as McDonalds, Burger King, General Mills and Disney (Xpanxion.com). From his experience founding and managing Compris Technologies Paul learned two lessons that would help guide his business philosophy, the importance of good, repeatable business processes and the value of good business relationships.

The need for good, repeatable business processes was learned through a difficult experience at Compris. The problem with experience is that it is often something you get right after you needed it. While working on the prototype for the first touch screen cash register Paul relied heavily on a key programmer who was very talented. The project was proceeding on schedule and was nearing completion when the programmer demanded an ownership interest in the company in exchange for completing the code. Paul felt that the programmer had been paid industry standard wages to write the code and had not assumed any risk in the project and thus did not deserve to share in the potential reward now that the project looked like it would be successful. The programmer felt that since he had been instrumental in the development of an application that had a high likelihood of changing an industry that he should share in the rewards. Paul was in a difficult situation because nobody else understood the software code well enough to complete it on time and the code was poorly documented. The deadline was fast approaching and Paul was almost out of the startup capital his clients had given him to complete the project. The subject of potential ownership interest was not one that had been discussed when employees were hired. Paul was not able to reach an agreement with the programmer so he felt that his only choice was to terminate the employee. This decision meant that the application had to be essentially rebuilt using the parts of the code that could be salvaged and rewriting or adding new code as needed. This was an extremely difficult decision to make because it put the project way behind schedule and meant that the entire future of the company was at great risk.

The second lesson learned was the value of good business partners. Instead of trying to hide the situation to buy more time Paul met with his clients and explained the situation to them in an open and forthright manner, knowing that he could be out of business at the end of the meeting if it did not go well. The clients were not happy to hear about the delay but Paul's reputation for honesty and for getting results gained from his work at NCR won the day. The clients agreed to extend enough additional funding to allow the project to be completed. The project was not only completed but it was wildly successful. Compris

Technologies grew from a start-up to around 240 employees by the time the company was acquired by NCR in 1997 (Xpanxion website).

Xpanxion into global markets

In his book *The World is Flat* Thomas Friedman states that the first website ever created went live on August 6, 1991. Shortly after this the business world started a shift toward offshoring and outsourcing that was largely fueled by the flattening effect the Internet had on information dissemination. Around this time outsourcing was beginning to develop as a software development strategy. Xpanxion was an early adopter of using offshore resources for software development. By outsourcing software development to a developing country overseas the cost of building an application could be reduced. The problem was that managing the offshore development was very difficult and sometimes frustrating. Paul realized that the difficulty and frustration of managing an off shore project represented a business opportunity so Xpanxion shifted strategies from only developing their applications in India to managing the development of other companies' projects.

Paul knew that many individuals in the off shore labor pool offer high quality work. Where his vision differed from most industry professionals is that he recognized off-shoring as an opportunity to help client companies obtain a competitive advantage by getting their application idea to market more rapidly for around the same cost as traditional development. He understood the risks associated with just 'throwing everything over the wall' and trusting someone else to handle it and saw an opportunity for another business endeavor. His new business would combine the localized service and superior quality expected by most clients with the reduced labor costs available via off shoring while still retaining control of the development process. This hybrid approach would allow him to obtain cost efficiencies while still retaining control over the quality of service. He dubbed this model 'cross-sourcing.' (Eurek, 2011)

In 1997 this vision came into being with the founding of Xpanxion. The firm's goal was to create state-of-the-art web based software for companies headquartered in the United States. Xpanxion would utilize the resource best suited to the task by doing most of the design work in Atlanta, GA and then using offshore resources to do the actual programming and quality control. Their overseas operations were started in the city of Pune, India. Pune is located in the Maharashtra state of India and is said to be the cultural capital of the state. The city has a very proud, rich history and beautiful architecture. According to Pune.org (2011) Pune is located approximately 100 kilometers from the western coast of India and is one of the most developed cities in the country.

When searching for a site for his off-shore facility two important considerations for Paul were political stability and an educated workforce. Many of the cities he initially visited had a well-educated work force but when it came time to discuss locating a business in that area the public officials would demand a bribe to perform any task. Even though many companies paid the bribe Paul refused to do so because he felt that a culture based on bribery reflected a fundamental lack of ethics and would not be conducive to a long term business relationship. The city officials in Pune never requested bribes and community leaders were excited to recruit a technology company to locate in the area. Pune also has a very well educated work force with many skilled IT professionals.

According to Eric Trettel, Vice President, the Nebraska Active Quality Center, Xpanxion's Founder & CEO, Paul Eurek, was planning for the long-term (E. Trettel, personal

communication, June 8, 2011). The company was able to establish a strong foothold in Pune before a large rush of competitors entered the scene. Their early presence in the marketplace, strategic selection of location, and lower than average turnover of employees are three things that have kept them competitive and growing throughout ups & downs in the industry. Many firms went into India without a future plan; they simply wanted the lower costs without really knowing what they were getting themselves into. Paul's thinking was very strategic; he didn't want the company to flounder or go out of business after only a few years because of poor planning. Thought was given and plans were made for even the minutest of details.

Diversification of Service Offerings

While a core goal of the firm remains the creation of state of the art web-based software they have diversified to offer a wide range of other services as well. Xpanxion has grown to offer beginning to end software development and implementation for their customers. They no longer just specialize in designing and writing software, they now will take a project from the very beginnings through the end and even service after. While they primarily do websites and work on intranet web services the project teams at Xpanxion also have a wide range of specialization, from business analysis and strategy to database modeling and administration or software architecture. With the growth in services offered, they can take care of a vast array of IT needs for their clients. Some of their clients include EarthLink, NCR, InterContinental Hotel Group, Oversight Systems, Inc. and Goldleaf Financial Solutions. Other areas of expansion include Business Process Outsourcing (BPO) and Quality Assurance (QA). Business process outsourcing is something they feel can become a growing asset for their operations in Nebraska. As more firms outsource their non-core business functions such as payroll, customer service & support, data entry, medical records, basically any back-office service Xpanxion is positioned to meet those needs with a low cost, high quality team to employees.

In response to growth and changes in the industry Xpanxion has updated their business model and taken on new roles. The strategic adjustments have been largely successful and they have prospered because of the adaptations. Strategic planning has given Xpanxion the opportunity to capitalize on business opportunities before their competitors. Their original business model was one of the first of its kind. They have continued this concept with early growth into more areas such as different types of QA, BPO handling and their new hybrid business model which we will discuss later. Their relatively high retention rate in the Pune offices has given them a great advantage also. Hiring and keeping the best workers fosters a great work environment with opportunity for growth and advancement from within. The employees enjoy their work and are rewarded for their efforts.

A changing business model for changing times

The original Xpanxion business model was based on the concept of offshoring. Xpanxion capitalized on the lower cost of labor in India and was able to use the savings to get to market quicker at a competitive price. Offshoring is where a firm takes a part of its business and moves it out of the country. Offshoring as a business practice has been happening for multiple decades but it has really grown in the past ten years because of the technological advances we have made as a society and the great boost of China and India joining the marketplace. China and India have developing economies and a combined population of approximately 2.6 billion people making them prime locations for

offshoring activities. Companies that take advantage of these types of opportunities are the ones that can profit most. Sending business overseas to save on costs does not always end with positive results though. David Foote (2004), a long-time IT analyst and consultant who has worked for some of the best companies in the business including Gartner, spent the years of 2001 – 2004 conducting research on 90 offshoring initiatives. During this study he found that more than 50% of offshoring cases ended in failure. Failure in this case does not mean they completely sank but they were unable to meet the performance goals set out before the project began. These numbers go to show how difficult it can be to correctly set out and create successful offshore ventures.

Offshoring usually happens so a firm can take advantage of cost savings in the other country. Just a few of the costs that can be saved are labor, taxes, energy and health-care. These four examples account for a large portion of a firm's expenses. Cutting down on labor costs alone can save a company hundreds of thousands of dollars per year. Add this to all the other costs reductions and you have the potential for a promising business model. But offshoring comes with some problems. There will always be cultural issues between the home country and offshore units. Most offshore operations take place in developing countries such as India or China. These countries can have extremely different views on life, religion, gender, business practices, and other issues. Add in business issues such as time-zone differences, language barriers and differing regulatory environments and managing an off-shore unit can be challenging. All of these potential problems and others must be carefully mapped out and accounted for before business can begin. Some firms decide that dealing with these issues and assuming the inherent risks are not worth the cost savings that could result. Xpanxion overcomes some of the cultural issues by embracing the culture of their Indian operation. The Pune office celebrates traditional festivals such as Dandiya and Diwali. Both of these celebrations cause a great stir in the office, giving employees a chance to relax and have some fun. Overcoming different offshoring obstacles is essential to being a successful business.

Outsourcing is another type of model that Xpanxion puts to work. Outsourcing is taking a specific function of your business that is not considered a core competency, and sending it to another company to do. Many business processes are being outsourced today including call centers, accounts receivable and human resources. The first huge outsourcing opportunities came in India during the Y2K scare. Companies were searching for programmers who could go through millions of lines of computer code and get systems ready for the calendar change to 2000. India, with its huge number of gifted engineering and software talent, was well positioned to take advantage of this opportunity. Companies by the hundreds swarmed to them for help. Outsourcing has been happening since the early '90s according to Thomas Friedman but the Y2K scare was the catalyst for the great growth rate that occurred. Giving a very large, rich group of talent a great opportunity at life & career was something that has changed the world forever. Xpanxion uses outsourcing in a few different ways and their unique business model takes advantage of its best qualities. There are also problems that come along with outsourcing though, most very similar to the offshoring problems like cultural differences and language barriers. These problems can be overcome but the company must be able to recognize them and identify solutions.

Challenges associated with outsourcing

A recent study by analyst firm Gartner found that most outsourcing failures are caused by hidden costs, high staff turnover and communication breakdowns (McCue, 2005). When

many firms look at outsourcing as a possible solution, they base their decision solely on the labor costs involved. This is a big mistake because there is so much more involved in the decision. One piece of the Gartner report states, 'Many hidden costs - including expenses associated with infrastructure, due diligence, communications, governance, overseas travel and cultural training - will offset the cost advantage of wage differentiation'. The bulk of these costs are incurred during the start-up of the operations so the real cost savings will not be seen until a year or two down the road. Productivity and training costs associated with hiring new employees can also be adversely affected by the high turnover usually seen initially. When speaking about the importance of communication the report states, 'Effective communications are critical in offshore outsourcing projects. The reason many offshore deals fail is because of the propagation of misinformation and confusion due to inadequate communications among the project team and its contacts, as well as within the general employee population, executive ranks and local community' (McCue, 2005). Effective and efficient communication can make or break a project.

Xpanxion handles these three main causes of problems in a very mindful manner. They have put systems in place to increase their retention rate as we talked about before. Embracing the employee's culture, creating reward systems for good work, offering advancement opportunities and continued training are all programs Xpanxion utilizes to keep employee morale up. A couple sentences from their website gives a great idea of how important retention is to their firm, 'At Xpanxion we realize our strength is our people. We hire the best and focus on retaining them. Employee retention is a vital part of our organization's vision and focus'. They also know the true costs of the business they are doing overseas. Over a decade of working abroad gives them great experience in being able to predict and minimize their costs. Effective communication is also a strength of the firm and gives them a better chance at success. Spending some time in the Kearney, Nebraska office of Xpanxion gives a person the feeling of a relaxed work environment. Employees seem to be at ease, able to speak and express their thoughts without fear of punishment or being chastised. Employees enjoy coming to work and know they are doing something worthwhile. Being able to handle and excel in these normal problem areas of outsourcing is yet another reason why Xpanxion is a successful company.

In recent years with more and more jobs being sent abroad, Americans have been looking for a way to save the American workforce. Companies such as Rural Sourcing, Inc., Saturn Systems, Inc. and Rural American Onshore Sourcing, Inc. have helped bring about a new type of outsourcing model. These firms are taking advantage of the lower cost of living in rural cities where salaries and operating costs are lower than in cities such as New York or Los Angeles. Companies in this industry are finding a great work ethic in rural America along with an untapped talent pool. Sending jobs to rural America rather than overseas also eliminates many of the offshoring problems such as time-zone differences, language barriers and greater security & control staying in the United States. Farm-sourcing, rural-sourcing, domestic-sourcing or whatever you want to call it seems here to stay. The companies that have invested in the model are profitable and growing. Rural Sourcing, Inc. currently operates two development centers in Arkansas and North Carolina and is looking at opening a third location soon. Rural-sourcing is a cost effective model that brings low cost, highly skilled American laborers to the front of the line. Many American firms like the potential of working with U.S. based firms in these uncertain economic times. Farm-sourcing gives companies the opportunity to do that as well as save money.

Building a better organization

Instead of following the same path as other companies and taking an all or nothing approach to off-shoring Xpanxion has found success by finding ways to best utilize the strengths of their global workforce. They have established an excellent reputation in the business world by leading and being on the cutting edge. Exploring new horizons and creating new opportunities is what makes them really special. Some companies specialize in outsourcing. Others like to work in an offshoring business type. Even others have focused on the more unique business model of rural-sourcing. Xpanxion is uniquely taking the best each of these models has to offer and puts them into one company. Paul Eurek was quoted in an article in the Economic Times saying, 'Cross-Sourcing allows us to parlay the economic value of our programming team in India, the expertise of on-site project managers in Atlanta, and the high work ethic and quality standards of the Nebraska workforce' (Singh 2006). Xpanxion is using the low costs and great programming power they possess in their Pune development center. The Pune operations possess a rich programming base and great infrastructure from which the projects can come to life. The Atlanta headquarters give the company a firm base and great leadership. This location gives Xpanxion the ability to manage projects with their most experienced work teams in the home country of their clients. Great communication between this site and the Pune center is an integral part of the development process. Leveraging these two design and development centers with the quality assurance operations in Kearney, Nebraska brings the company to a new level. During the last few steps before project release, U.S. based firms get the opportunity to talk to and work out potential problems with experienced QA professionals who understand the culture and are located within a much closer proximity. Flying or driving to visit your project in its final testing stages is no longer out of the question. A QA consultant who participated in the testing of your project can come visit your site and help implement the new software. This outsourcing / offshoring company is not bound by the normal limitations of the offshoring business model.

Many of the general problems encountered with offshoring are the main reasons Xpanxion started looking at bringing their testing center back to the United States. Client service, culture issues, time-zone issues and general business differences in industries like banking, health care, etc. are a few of the problems Xpanxion was facing. The company wanted to be able to give its clients a familiar U.S. face when they were transferring their products from development to QA to implementation. Being able to speak to a person from the same culture and in the same time zone make it easier when first learning how to use software. Making the transfer of software as simple and stress-free as possible is a definite selling point for potential customers. Having the center located in the center of the United States means an Xpanxion employee is within a couple hour flight of being on-site to help with any problem that could occur. There is no comparison when looking at that benefit versus talking to someone halfway around the world that may have trouble understanding your problem or description.

Xpanxion believes their Kearney Active Quality Center gives them a great step up on competitors. Choosing a locale and deciding on the move to cross-sourcing was not something the company took lightly. Much preparation and research was done before deciding on the specific location. One of the first reasons for the selection that many people look at is Paul Eurek's personal ties to the area. Paul grew up in Loup City, Nebraska which is approximately 45 miles North of Kearney and now home to Xpanxion's BPO Center. Although this probably did not hurt the chances of Kearney being chosen,

many other factors went into the decision process. A rigorous review of possible locations was conducted to ensure the community would fit well into what they were looking for. The Kearney community possessed many of the features the firm was looking for including good technology infrastructure, high quality schools and low cost of living. One more thing the city offers is a University which creates the possibility of a working relationship with the school and a potential to help create future employees. The decision to base the QA center in Kearney has turned out to be a good one. During this year, even with our economy in a downfall, the Kearney Active Quality Center is looking at doubling their workforce. This is a great feat considering most companies in the United States are moving in the opposite direction.

Conclusion

Everyone in America today is well aware of the economic crisis we are in. Some analysts say we still haven't seen the bottom, while others believe we are on our way up. During unsure times like these, the American people really want to see jobs created at home and not being sent overseas. Even with all of this political pressure Trettel does not feel the decisions they have made are based on political pressure. The decision to bring the testing center to the United States was a business decision that Xpanxion believes is a good one across the board. The location saves the company money while having more jobs in the U.S. does help our economy and gives Xpanxion the familiar face for communication with clients. Paul Eureka had this to say in a write-up for The Economic Times in India, 'The initiative to shift some of the technical work from our centre in Pune was a strategic business model change intended to inject American business domain, culture, and quality standards into the daily engineering activities of our offshore development team.' He then added, 'Xpanxion took into account the strong work ethic of the US rural population and the virtual absence of employee turnover' (Mishra, 2009)). This statement demonstrates how this decision was not made based on political pressures, even though American jobs created by the move could potentially cause future clients to choose Xpanxion over a purely offshore company. Mr. Trettel did believe firms could be more likely to pick them because of their American ties and the jobs they create but the QA center in Kearney was created to give the best possible support and testing to customers, not solely to garner patriotic sympathy.

Xpanxion's cross-sourcing model seems to be something of the future. While some firms are attempting to make incremental improvements but my making existing processes more efficient, Xpanxion is looking to mold the future by optimizing the entire business process where needed. Starting with their initial, innovative offshoring model in 1997 the company has tried to get their foot in the door early. Building a loyal customer base early on and retaining great employees has been vital to their success. They also believe that with leading the way in the cross-sourcing model, they will retain and build on their great name in the industry.

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Suggested Questions and Answers

1.) Why did Mr. Eureka decide to locate off shore?

- High quality workforce
- Cost savings
- Shortage of domestically available labor available at that time.

2.) What were some of the problems Mr. Eureka identified with off-shore software development?

- Cultural differences make quality assurance functions difficult.
- Quality issues caused by arm's length development.
- Time Zone Difference
- Language Barrier
- Greater Security and Control

3.) What was Xpanxion's original business model? How has that changed?

Their original business model called for front end operations to be conducted in the Atlanta office and all programming and quality assurance functions were to be done in India. The rationale for this division of labor was that tasks were sourced to the lowest cost labor that could do the job with high quality. The initial business model called for the primary focus of development to be a decrease in the amount of time required to get a product to market at the same cost as developing the product domestically.

A new quality assurance office was opened in Nebraska to better serve customers by blending the advantages of the Atlanta and Pune offices. The cost of wages and infrastructure for the Nebraska workforce is near the midpoint of costs for the other offices. The Nebraska location is in the Central Time Zone and offers a workforce with a predominately mid-western accent. These two factors help Xpanxion to provide service in a manner that is preferred by their customers. As the information technology industry has matured Xpanxion has changed their business model to focus on a lower cost of services for those clients seeking to compete on price while continuing to offer the ability to put more person hours into a project at a reasonable cost for those clients wanting to get a product to market quicker.

4.) Why was Pune India chosen as the location for Xpanxion?

- Stable government with low levels of corruption
- Adequate Infrastructure
- Educated workforce with many skilled IT professionals

5.) What are some challenges faced by companies doing business in India? Are these challenges unique to India or do they apply to most outsourcing situations?

- Offshore units. Most offshore operations take place in less developed countries such as India or China in order to take advantage of a lower skilled labor rate. These countries can have extremely different views on life, religion, gender, business practices, etc. Instructors can also bring up issues such as time-zone differences, language barriers, government regulations, corruption, and business issues like sensitive records (banking, medical) being transmitted overseas. This question is a good area to discuss ethics and how they are different than laws.
- While the specifics might be unique to India the problems are fairly generalizable to other outsourcing environments.

- 6.) Is the decision to not offer bribes the correct one from an ethical perspective?
From a legal perspective?
- The Foreign Corrupt Practices Act of 1977 (FCPA) makes it illegal to offer bribes to foreign government officials.
 - Bribery is part of the culture in many countries so some companies do offer bribes. Since bribery is illegal it is unethical even though abiding by the law might put an American firm at a competitive disadvantage.
 - Once a bribe is given it can build an expectation that future bribes will be forthcoming.
- 7.) What are some reasons given for why Xpanxion decided to shift some of their business to Kearney, Nebraska?
- High work ethic
 - Quality standards
 - U.S. based firms get the opportunity to interact with native English speakers.
 - Nebraska workforce understands the US culture and is located within a much closer proximity to U.S. clients.
 - Good technology infrastructure
 - High quality schools
 - Low cost of living
 - A local university that can supply a well-educated workforce.
 - Central Time Zone makes it easier to interact with US based clients.
- 8.) What are some of the steps Xpanxion has taken to minimize the challenges associated with offshoring?
- Embracing the culture of their Indian operation.
 - Creating reward systems for good work.
 - Offering advancement opportunities.
 - Continued training.
 - Establishment of the Nebraska Operations centers to serve as a customer facing entity between the US clients and the Indian development team.
- 9.) What are the main causes of most outsourcing failures?
- Hidden costs
 - High staff turnover
 - Communication breakdowns
 - Time-zone differences
 - Lack of forward planning
 - Poor planning in out sourcing implementation
- 10.) Did the developer who demanded an ownership interest act in an ethical manner?
What could have been done to have avoided this problem?
- As with many questions of ethics the question of whether or not the programmer behaved in an ethical manner is somewhat of a gray area. If he was performing his work to the best of his ability and then asked for more compensation when he realized how valuable his contributions were then his actions were rational and arguably ethical. If he intentionally failed to document his code as it should have been documented as a way to increase his bargaining power then he deliberately violated good development practices exclusively for his own benefit which would be unethical.

- From an employer point of view the programmer was providing a service for a prevailing industry standard wage and did not assume any direct financial risk associated with developing the software. It was only after it became apparent that the application was likely to be a huge success that the employee wanted to share in the reward as if they had shared in the risk. While the employee was well within their rights to request additional compensation doing so in a way that threatened the project success was considered inappropriate.
- One thing that could have helped prevent the loss associated with the employment dispute would have been for management to have enforced good documentation practices. This project occurred before such practices were common but proper documentation would have changed the nature of the dispute from the question of the damage in time and rework costs associated with having to rewrite the code to a question of future contributions.
- This section also can be used to discuss empathy. From the perspective of the programmer his labor was going to make someone a lot of money and he felt that he deserved to share in the returns. From the perspective of the employer the labor was already paid for and was something that any skilled craftsman could have done. The real contribution was in the design of the software and in managing to project to completion. An analogy from the employer point of view would be a carpenter gets paid to build a new office building but the carpenter does not share in the revenue if the building project is successful.

11.) Identify at least two things Mr. Eureka could have done to prevent the problem with the programmer? Has he done anything to keep those types of issues from occurring at his present company?

- Mr. Eureka could have established clear compensation expectations on the front end, if that was not done.
- He could have required proper documentation to be maintained on all code and have had processes in place to ensure that no one person was in a position to jeopardize the project outcome.
- Xpanxion is a CMM level 4 certified organization and is ISO 9001 certified. They have implemented processes that are repeatable and well documented.

12.) Analyze Xpanxion's business model using the resource based view of the firm (Wernerfelt, 1984).

Valuable – Xpanxion has a hybrid model that provides value by using resources provided by the area that can provide what is needed at the lowest rate for high quality work.

Consists of programming work done in India, project development and customer interface is done in Atlanta, and quality assurance is done in Kearney, NE. This way Xpanxion is able to use the low cost labor in India for labor intensive work, use the relatively lower cost labor in Kearney, Nebraska for quality assurance work, while mainly using the most expensive labor in Atlanta for work such as systems design that requires a lot of face to face contact with the client. By matching the requirement with the unit that is able to provide a high quality solution at the lowest cost Xpanxion is able to blend the best of each option into one optimal solution.

Hard to imitate – Xpanxion's model is hard for competitors to imitate because it requires having resources suited to each task and managing them well.

Rarity – Xpanxion is able to serve domestic clients with an off shore labor force while still providing the benefits of domestic outsourcing.

Non-substitutable – Xpanxion offers services that are not identical to any known competitor. Any substitutes that are offered have to trade off either localization, speed of development, cost, or some other desirable trait.

Suggested Assignments

-Note: The answers to the questions below will vary according to the source the students use and the year. These questions should serve to help the students become more familiar with the outsourcing industry so a more informed classroom discussion can take place.

- 1.) Identify two of the main IT development companies in the United States who do a significant amount of development for companies outside the United States. How much of their revenue is generated from development of software for companies outside the United States?
- 2.) Identify two of the main IT development companies outside of the United States who do a significant amount of development for United States based companies. How much of their revenue is generated from development of software for US companies?
- 3.) Research the estimated total amount of revenue US companies generate from development of software for non-US companies. How much revenue is generated by foreign companies by the US outsourcing of software development?
- 4.) Do you believe that it would be beneficial to end all outsourcing of software development? Explain your answer.

Long-term relationships between consumer and socially responsible company: the effect of consumer's support for CSR

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Abstract

This study aims to investigate long-term relationships between consumers and socially responsible companies, reasoning the effect of consumers' support for CSR on such relationships.

Benefits gained by companies engaged in socially responsible activities can be described and analysed from different perspectives. Authors of this article argue that a positive effect of company's involvement in CSR initiatives on consumer behaviour should be considered as the main benefit, which reasons the purposefulness of this process.

CSR initiatives influence consumer behaviour changes in terms of consumer intentions to get involved in long-term relationships with a socially responsible company. Long-term relationships between a socially responsible company and a consumer are defined as consumer's attitudinal loyalty, behavioural loyalty and word-of-mouth. All these constructs are measured considering the effect of consumer's support for CSR.

There are different factors related to a company and a consumer, which impact the level of consumer's support for CSR, and studies show that consumer's responses to CSR initiatives are not completely evident and clear. It is argued in this article that CSR initiatives are beneficial for a company only when they are meaningful and create additional value to consumers, i.e. when consumers support such company activities.

The interpretation of quantitative research results reveals the main effects of bank consumers' support for CSR on long-term relationships with socially responsible banks which operate in Lithuania.

Key Words: consumer's support for CSR, long-term relationships, Lithuanian bank sector.

Introduction

Significant changes of business environment have been observed recently. The economic crisis and increasing competition in different markets impact activities of companies as well as the shift of basic values and attitudes of the society. Nowadays sustainable development, i.e. a compromise between environmental, economical, and social objectives of the society, is inevitably essential in order to reach the well-being of present and future generations (Payne and Raiborn, 2001; Karna, Hansen and Juslin, 2003; Ciegis, Ramanauskiene, Startiene, 2009). This situation causes companies to undertake an environmental transformation process with the purpose of reducing the negative externalities that result from their economic activity (Fraj-Andres, Martinez-Salinas and Matute-Vallejo, 2009) and to engage in initiatives, which generate positive benefits for the

society. An increasingly widespread view exists that there is a business case for socially responsible initiatives (Piercy and Lane, 2009). This fosters companies, acting in different business sectors, to engage in CSR initiatives more and more often (Pirsch, Gupta and Grau, 2006; Amine, Chakor and Alaoui, 2013). Jose, Rugimbana and Gatfield (2012) indicate that demand from consumers in terms of CSR is an important driver for companies to act socially responsibly. Lii and Lee (2012) argue that CSR responds to consumer expectations, improves corporate performance and reputation. From the other side, Mohr, Webb and Harris (2001), Rizkallah (2012) state that there is a lack of scientific information on what consumer needs must be satisfied, how and to what extent it must be done in order to reach the positive effect of CSR implementation. Many companies do not have sufficient comprehension about their consumers' expectations regarding CSR (Piercy and Lane, 2009; Jose, Rugimbana and Gatfield, 2012). Nevertheless, the benefits for a socially responsible company could be characterized by changing consumers' evaluations and purchase intentions of company products (Webb and Mohr, 1998; Tian, Wang and Yang, 2011). Literature analysis shows that the level of consumer support of a company's CSR initiatives is the factor, which determines consumer intentions regarding that company and its product(s) (Bhattacharya and Sen, 2004). However there is limited research to determine if consumers actively support responsible conduct of companies (Ferrell, 2004). It is even more complicated to determine the longitudinal effect of corporate social responsibility. Different scientific approaches to this phenomenon reveal that consumer responses to CSR initiatives are still not clear enough and require further theoretical as well as empirical researches.

Considering all the mentioned aspects the scientific problem of this article is formulated as the following question: what is the effect of consumers' support for CSR on long-term relationships with socially responsible companies?

The objective of this article is to investigate long-term relationships between consumers and socially responsible companies, reasoning the effect of consumers' support for CSR on such relationships in the case of the Lithuanian bank sector.

Research methods: systematic and comparative analysis of scientific literature; quantitative research – questionnaire survey.

Consumers' support for CSR as the indicator of their responses to a company's CSR initiatives.

CSR initiatives, performed by a company, can create value for its consumers, which influence tangible long-term financial results and give benefits to the society as a whole (McWilliams and Siegel, 2001; Bhattacharya and Sen, 2009; Piercy and Lane, 2009). Scientists argue that the success of a company depends on its abilities to create meaningful, sustainable, and unique value to one of the most important stakeholder groups – its consumers.

Although different benefits to socially responsible companies are distinguished and analyzed in scientific literature (Piercy and Lane, 2009), Pirsch, Gupta and Grau (2006) state that from the point of view of a company the purposefulness of CSR implementation could be reasoned mostly by the positive effect of CSR on consumer behaviour.

CSR initiatives should be treated as a company's attributes, which are meaningful only in case they deliver relevant values to consumers (Bhattacharya and Sen, 2009), i.e. when consumers support such initiatives. Piercy and Lane (2009) summarize that there is a link between a company's CSR initiatives and consumer responses in attitudes, beliefs, and behaviours. According to Podnar and Golob (2007), Bhattacharya, Korschun and Sen (2009), empirical researches show that consumer responses even to a certain CSR initiative are very different; every person evaluates such initiatives differently. Although companies often expect positive effect of large-scale CSR initiatives, such result cannot be guaranteed, because consumer reactions are not straightforward and evident (Bhattacharya and Sen, 2004). From the other side, as Pirsch, Gupta and Grau (2006) state, consumers make judgements of CSR initiatives more holistically. Even those programs, which are oriented not directly towards consumers but to other stakeholder groups, can have positive influence on the level of consumers' support for CSR. Moreover, scientific evidence shows (Sen and Bhattacharya, 2001; Piercy and Lane, 2009) that consumers punish irresponsible companies more often than award those, which are responsible. Summarizing all of the above-mentioned aspects, it could be stated that the phenomenon of CSR support is treated as one of the possible ways to evaluate consumer reactions towards a company's CSR initiatives (Bhattacharya and Sen, 2004).

CSR support is related to the congruence between a consumer and a socially responsible company. Those consumers, who support CSR initiatives, tend to perceive higher congruence between them and a company (Sen and Bhattacharya, 2001; Marin and Ruiz, 2007; Jose, Rugimbana and Gatfield, 2012). When CSR initiatives are important to target consumers (high level of CSR support), they use CSR as a purchasing criterion (Auger, Devinney and Louviere, 2007; Webb, Mohr and Harris, 2008).

There are numerous factors, which influence the level of consumers' support for CSR. They are manifested both at organizational and consumer levels (Bhattacharya and Sen, 2004; 2009). Pomering and Dolnicar (2009) emphasize that consumer awareness in the field of CSR is an important factor, which determines the level of CSR support. In this case information could be treated as the main criterion for the rational choice. Tian, Wang and Yang (2011) argue that there are four steps in which consumers get involved when analyzing CSR information, namely, they notice CSR information, evaluate fairness of CSR initiatives, reason or attribute CSR information to certain companies or their products, and make behaviour or purchase decisions.

Podnar and Golob (2007) argue that consumer responses towards a company's CSR initiatives are affected by general beliefs and expectations of CSR. McWilliams and Siegel (2001) distinguish the key determinants of the demand for products with CSR attributes, such as product price, advertising to promote consumer awareness of CSR attributes, the level of consumers' disposable income, consumers' tastes and preferences, demographics, and the price of substitute products.

The longevity and consistency of the implementation of CSR initiatives are very important and influence the level of consumer support for CSR as well (Mohr and Webb, 2005). General consumer awareness of socially responsible issues (Lacey and Kennett-Hensel, 2010) and even personal involvement in CSR activities (Sen and Bhattacharya, 2009) are factors, which affect the level of CSR support. Long-term CSR initiatives tend to increase consumer knowledge in this field and to reduce their scepticism (Lacey and Kennett-Hensel, 2010).

Increasing consumer expectations regarding CSR pressure companies to behave and communicate in a responsible manner (Golob, Lah and Jancic, 2008). Consumers tend to incorporate their expectations regarding CSR into their behaviour towards companies (Maignan, Ferrel and Ferrel, 2005). The responsiveness of consumers depends on the support level of companies' CSR initiatives, i.e. on the congruence between consumers' expectations and the structure of companies' CSR initiatives (Podnar and Golob, 2007).

Antecedents of long-term relationships between consumers and socially responsible companies

Various authors analyze the effects of CSR initiatives on consumer decisions and attitudes differently. On the other hand, numerous researches substantiate the notion that properly implemented CSR initiatives lead to the adoption of customer relationship marketing (Luck, 2006). It should be noted that researchers, who analyze the effects of CSR initiatives on relationships between a socially responsible company and its consumers, distinguish and emphasize different antecedents of long-term relationships.

Many authors, including Ranaweera and Prabhu (2003), Egan (2000), Liang and Wang (2007), Caceres and Paparoidamis (2007) and others, traditionally analyse consumer satisfaction, trust, and commitment as the antecedents of relationship longevity. We will analyze all these antecedents separately, emphasizing their expression under the effect of CSR support.

Satisfaction

Satisfaction, as defined by Egan (2000), is a psychological process of evaluation of perceived activity result based on preconceived expectations. As satisfaction mainly depends on preconceived expectations (Amine, Chakor and Alaoui, 2013), it is possible to state that consumer satisfaction with products of socially responsible companies depends on their requirements not only for the product, but also for CSR initiatives. Belz and Peattie (2009) also agree with such proposition while stating that satisfaction is not only a function of price and quality, but also the result of meeting advance requirements of consumers. Luo and Bhattacharya (2006) give evidence that CSR affects consumer satisfaction, which in turn affects a company's market value. They provide three approaches, indicating the reasons why a company's CSR initiatives lead to greater consumer satisfaction. The first approach is based by the fact that the majority of consumers are members of various stakeholder groups. Having in mind that different CSR initiatives are oriented towards different stakeholder groups, consumers tend to be more satisfied by products and services of socially responsible companies. The second notion is related to consumers' identification with socially responsible companies. And the third approach summarizes factors, which influence consumer satisfaction with a socially responsible company: perceived value and consumer knowledge (Luo and Bhattacharya, 2006).

Trust

In scientific works trust is usually associated with credibility as the main source of trust (D'Souza, Taghian and Lamb, 2006; Belz and Peattie, 2009). Lacey and Kennett-Hensel (2010) uses Morgan and Hunt's (1994) suggested description of trust: "trust is the consumer's belief that the company is reliable, stands by its word, fulfils its promises, and

is sincere". In scientific literature trust is considered as the most important mediating variable in the exchange relationships (Amine, Chakor and Alaoui, 2013).

Pivato, Misani and Tencati (2008) believe that the first result of a company's CSR initiatives is consumer trust. If a consumer perceives a company as being socially responsible, he or she feels a higher level of trust in that company and its products (Piercy and Lane, 2009). Consumers' trust in the fairness of a company's CSR initiatives affects how they evaluate the company and their purchase intentions (Mohr and Webb, 2005). Thus, trust is the mediator between consumer perceptions of CSR and behavioural intentions (Pivato, Misani and Tencati, 2008). When a company engages in socially responsible initiatives and consumers support such activities, consumers' trust should be enhanced (Lacey and Kennett-Hensel, 2010).

Trust is considered to be one of the most important and immediate reactions of consumers regarding CSR initiatives (Pivato, Misani and Tencati, 2008) and could be treated as the central factor in measuring the effectiveness of CSR initiatives (Lacey and Kennet-Hensel, 2010).

Commitment

Wetzels, Ruyter and Birgelen (1998) define commitment as the most advanced phase in relationships with consumers determined by interdependence. Assiouras, Siomkos, Skourtis and Koniordos (2011) mention consumers' commitment as one of the benefits of a socially responsible company. According to Lacey and Kennet-Hensel (2010) commitment can be the direct outcome of congruence between a company's activities and consumers' expectations, as well as mediated by consumer trust. A high level of consumers' support for CSR leads to consumer-company identification. This identification, according to Perez (2009), affects consumer commitment with the socially responsible company, i.e. emotional attachment towards the company. This attachment expresses a consumer's desire to maintain his or her relationship with the company (Lacey and Kennett-Hensel, 2010).

Long-term relationships as a result of consumers' support for CSR

According to Bhattacharya and Sen (2004) CSR initiatives should be interpreted as a means for strengthening relationships with consumers. They have a considerable influence not only on brand purchase, but also on other more relational behaviours, such as word-of-mouth and resilience to negative company information (Jose, Rugimbana and Gatfield, 2012). CSR initiatives become a key element in managing consumer relationships (Piercy and Lane, 2009; Assiouras, Siomkos, Skourtis and Koniordos, 2011) and significant channels for building consumer loyalty (Pirsch, Gupta and Grau, 2006; Piercy and Lane, 2009). Such relationships are considered as social exchanges in which consumers give positive feedback to the experience with a socially responsible company (Lii and Lee, 2012).

CSR initiatives are considered to be a determinant influencing long-term relationships, and they are of the same importance as the service quality in the context of services (Mandhachitara and Poolthong, 2011). Consumer loyalty, as a result of long-term relationships between consumers and a company, is a vital objective of a company's survival and growth (Manghachitara and Poolthong, 2011). However, as Pivato, Misani and Tencati (2008) emphasize, the impact of CSR initiatives on consumers' purchasing

intentions is indirect and is obtained by positive consumer evaluations. These evaluations are made by consumers through comparison between expectations from a company's CSR and its real activities in this field.

Luo and Bhattacharya (2006) convince that satisfied consumers tend to be more loyal to a socially responsible company, they are willing to pay more for the products of such company, and they get involved in positive word-of-mouth. Perez (2009) argues that consumers, who support a company's CSR initiatives and are affectively committed to the socially responsible company, feel more motivated not only to repeatedly purchase its products, but also to get involved in a closer long-term relationship with such company.

Different scientists distinguish different long-term outcomes, gained through the implementation of CSR initiatives. In Assiouras, Siomkos, Skourtis and Koniordos (2011) work brand loyalty, brand recommendations, and advocacy behaviours are summarized as valuable results from engagement in socially responsible initiatives. Lacey and Kennett-Hensel (2010) distinguish three outcomes for a company that has consumers, who have trust in its socially responsible activities: magnitude of existing purchasing behaviour, engagement in positive word-of-mouth, and closer following of the company's activities. Mandhachitara and Poolthong (2011) reason, that an integration of both attitudinal and behavioural dimensions is purposeful for measuring loyalty. In their study the main constituents of attitudinal loyalty are commitment, positive word-of-mouth, and stated intention to buy, and the main constituents of behavioural loyalty are repeated purchase probability, exclusive purchase, and share of category requirements. Rizkallah (2012) emphasizes a growing importance of word-of-mouth in shaping consumer decisions.

In this article it is considered that the main behavioural outcomes of a high level of CSR support include attitudinal loyalty, behavioural loyalty, and word-of-mouth (consumers' willingness to talk positively about socially responsible company).

Research design

The idea of long-term relationships with consumers cannot be implemented in a service enterprise if a deep and comprehensive analysis of potential factors that could be important for retention of consumers is not performed. Therefore, with reference to revelations that become evident from theoretical studies presented in this article, relations between consumers' support for CSR initiatives, antecedents of long-term relationships, and future intentions are going to be analyzed in the empirical research.

A case of Lithuanian banks has been selected for the empirical study. This selection is based on several aspects. First of all, the banking sector has a huge impact on a country's society and economics (Scholtens, 2009). Secondly, all the large banks, which operate in Lithuania, are included in the list of Lithuanian socially responsible companies. The above-mentioned aspects allow us to state that CSR initiatives of banks can have a positive effect on consumer attitudes and beliefs towards CSR, on their satisfaction, commitment and trust regarding a particular bank, and on their future intentions.

The purpose of the empirical research is: to determine CSR initiatives, which influence the level of consumer's support for CSR, and to reveal relationships between CSR support, antecedents of long-term relationships, and future intentions in the case of Lithuanian banks.

Pursuing the research purpose and considering the fact that almost all adult population are consumers of bank services it has been decided to collect data for the study using a quantitative research method – a questionnaire survey.

Respondents were asked to evaluate their overall support of banks' CSR activity (on a five-point scale from "surely no" (1) to "surely yes" (5)). The expression of antecedents of long-term relationships and future intentions was measured on a five-point scale as well. The construct of items was composed according to Mandhachitara and Poolthong (2011), Perez (2009), Pivato, Misani and Tencati (2008) researches.

If we analyze techniques suggested by different scientists for the measurement of the importance of various attributes to customer satisfaction, we can find different approaches. Examination of different measurement techniques shows that most often correlation and regression analyses are employed for measurement of importance of the attributes. Lately, according to Fontenot, Henke, Carson and Carson (2007), many of the suggested techniques emphasize the usage of the attributes' importance measure along with the measure of performance. The importance of CSR attributes to the overall support level was measured using both stated and derived importance techniques in this article. Chu (2002) uses the definition, suggested by Hanson (1992), which defines that a stated importance approach requires the respondents to state their perception of the importance of each attribute. Meanwhile derived importance can be measured using various techniques, but according to the Fontenot, Henke, Carson and Carson (2007) approach, correlation and regression analyses are the most commonly used tools for deriving importance.

Therefore the main part of the questionnaire consisted of the list of CSR attributes, related to different banks' activities in this domain. Respondents were asked to indicate the perceived importance of each attribute evaluating preferred requirements for a socially responsible bank and to rate their opinion about CSR activities of their own bank. The construct was composed according to the researches of Podnar and Golob (2007), Lacey and Kennet-Hensel (2010), Mandhachitara and Poolthong (2011).

Due to the exploratory nature of the research, respondents were selected using convenient selection. As young people tend to be more open to new ideas and are more aware of CSR, it was decided to survey the opinion of 20-29 year-old respondents. Responses were received from 165 respondents, but only 144 questionnaires were recognized as suitable for further processing. The research was conducted in January 2012. Statistical data analysis was performed using SPSS 17.0 and based on specialized literature (McDaniel and Gates, 2007; Pukenas, 2005; Cekanavicius and Murauskas, 2002).

Research results

The first part of the analysis of research results is devoted to the exploration of stated and derived importance of CSR initiatives (factors) for consumers' support of CSR activities of banks. Firstly principal component factor analysis with VARIMAX rotation is used to identify the structure of CSR initiatives. The main aim of running a factor analysis is to create a smaller set of correlated attributes into dimensions, or factors, which explain the most variances among the attributes. Table 1 shows the results of six CSR initiatives derived from the factor analysis labelled as "Satisfaction of needs of consumers and employees" (F1), "Support for community" (F2), "Development of economic activity" (F3),

“Compliance with ethical standards” (F4), “Equality of human rights and support for the society” (F5), and “Compliance with legislation” (F6). Results explain 60.12 percent of variable dispersion.

Table 1. Factor structure and statistical indicators

	Factor loadings	Cronbach-alfa
Satisfaction of needs of consumers and employees (F1)		
Provides services of high quality; Focuses on consumer satisfaction; Provides correct information about services; Supports employee family values; Supports safe workplace.	0.546-0.857	0.839
Support for community (F2)		
Gets involved with the local community; Is involved in corporate giving; Local non-profit organizations benefit from this bank's contributions; Is committed to using a portion of its profits to help non-profit events; Includes charity in its business activities; Is committed to using a portion of its profits to help non-profit causes.	0.638-0.867	0.873
Development of economic activity (F3)		
Sees profit as the only concern of a company; Sees profitability as the only measure of effectiveness; Conducts business just for profit; Works only for shareholders' interests; Is bound to achieve maximum profitability.	0.656-0.822	0.833
Compliance with ethical standards (F4)		
Considers people, society, and nature before profit; Checks every business decision in the light of ethical standards; Defines ethical standards and is faithful to them at all times; First meets all ethical business principles and then thinks of profit growth; Considers moral standards on account of profit; Conducts ethical business despite being less economically efficient; Has clear politics for solving urgent social and societal problems.	0.526-0.700	0.822
Equality of human rights and support for the society (F5)		
Offers job opportunities for vulnerable groups; Actively seeks to reduce unemployment; Plays a crucial role in projects aimed at the improvement of the quality of life; Reinforces voluntary activities for society welfare.	0.502-0.738	0.725
Compliance with legislation (F6)		
Always obeys the newest legal principles as soon as possible; Is only allowed to do what is explicitly permitted by the law; Obeys the law and regulations in all circumstances; Always conducts business in line with legal principles.	0.630-0.833	0.788
Total variance extracted	60.12	
KMO	0.722	

Average ratings of the respondents' expectations for each CSR initiative (factor) are treated as stated importance. Three techniques for the measurement of the derived importance, suggested by Fontenot, Henke, Carson, Carson (2007), are used in this research: (1) correlation coefficients between performance ratings for each factor and respondents' ratings of overall CSR support, (2) beta weights from regression analysis in which performance ratings for each CSR initiative were used as predictors and overall CSR support was the criterion variable, and (3) the multiplication of correlation coefficients and beta weights to obtain combined importance scores.

The importance scores for both stated and derived importance are presented in Table 2.

Figure 1 graphically presents the ranks of stated and derived importance. Here the rank "6" is given to the factor that has the highest importance score and the rank "1" is given to that, which has the lowest score.

Table 2. Stated and derived importance

	S t a t e d importance	Derived importance		
		Correlation Coef*	Regression b e t a weight	Corr * b e t a weight
F1	4.517	0.285	0.141	0.040
F2	3.954	0.385	0.392	0.151
F3	3.258	-0.004	-0.026	0.0001
F4	3.950	0.254	-0.065	-0.017
F5	3.854	0.346	0.441	0.153
F6	3.340	0.234	-0.004	-0.001

From the visualization, presented in Figure 1, the divergence of results between stated and derived techniques as well as promiscuity among the three derived techniques become evident. Fontenot, Henke, Carson and Carson (2007) found out that such situation made the analysis, interpretations, and generalizations of results difficult. They state that measures of derived importance are more sensitive than the scale-based measures of stated importance.

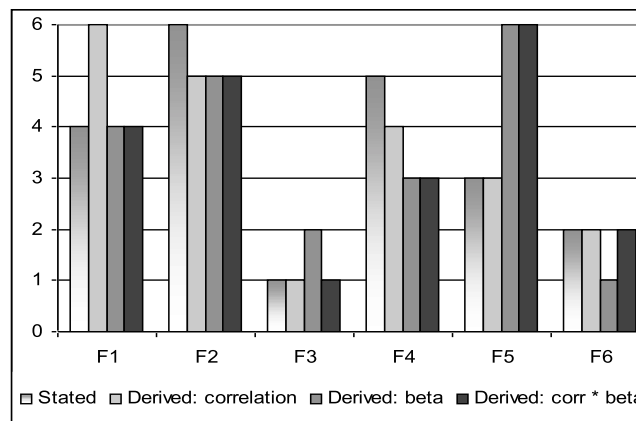


Figure 1. Ranked stated and derived importance

One solution for compatibility of the results, suggested by Fontenot, Henke, Carson and Carson (2007), is to integrate both stated and derived importance rankings and to use the Kano, Seraku, Takahashi and Tsuji (1984) framework for accomplishing this:

- Attributes identified as important in both stated and derived importance measures (F1: satisfaction of needs of consumers and employees; F2: support for community) have to be considered as a priority CSR initiative for managerial solutions because its presence can promote the level of consumers' support for CSR, meanwhile its absence may result in consumer dissatisfaction with a bank's CSR activity.
- Those attributes, which have the lowest ranks for both techniques (F3: development of economic activity; F6: compliance with legislation), should not be treated as being of the highest importance as these may be attributes that are unexpected, unnecessary, or not contributory to the overall level of CSR support.
- Attributes identified as highly important using stated importance technique and low in derived importance (F4: compliance with ethical standards) have to be considered as potential reasons for negative responses of consumers to a bank's CSR activity: their presence will not make the level of CSR support higher, but their absence will surely cause customer dissatisfaction and will have a negative effect on their future intentions.
- Attributes ranked higher in derived importance and lower in stated importance (F5: equality of human rights and support for the society) are possible "delighters": consumers usually do not expect them, but their presence will positively influence their overall level of CSR support of a bank's CSR activity.

In order to reveal relations between consumers' support for CSR, antecedents of long-term relationships and future intentions, a correlation analysis has been performed. Since not all data is distributed according to the normal distribution law (one-sample Kolmogorov-Smirnov test has been performed), it has been decided to calculate Spearman correlation coefficients.

Table 3. Matrix of correlations

	1.	2.	3.	4.	5.	6.	7.
1. Correlation Coef. Sig. (2-tailed)	1	0.182 * .029	0.194 * .020	0.338 ** .000	0.192 * .021	0.200 * .016	0.396 ** .000
1. Correlation Coef. Sig. (2-tailed)	0.182 ** .029	1	0.662 ** .000	0.245 ** .003	0.242 ** .003	0.548 ** .000	0.465 ** .000
1. Correlation Coef. Sig. (2-tailed)	0.194 ** .020	0.662 ** .000	1	0.400 ** .000	0.389 ** .000	0.683 ** .000	0.510 ** .000
1. Correlation Coef. Sig. (2-tailed)	0.338 ** .000	0.245 ** .000	0.400 ** .001	1	0.448 ** .000	0.352 ** .000	0.533 ** .000

** Correlation is significant at the 0.01 level (2-tailed). * Correlation is significant at the 0.05 level (2-tailed).

- | | |
|---|--|
| 1. Consumers' overall support level of a bank's CSR initiatives | 1. Consumers' intentions to talk about a socially responsible bank |
| 2. Consumers' satisfaction with services of a socially responsible bank | 2. Consumers' behavioural loyalty to a socially responsible bank |
| 3. Consumers' trust in a socially responsible bank | 3. Consumers' attitudinal loyalty to a socially responsible bank |
| 4. Consumers' commitment to a socially responsible bank | |

Results of the data analysis (Table 3) show that consumers' support for CSR correlates with all antecedents of long-term relations and with all results of long-term relationships. Although these correlations are not very strong (the strongest relations are between CSR support and commitment ($r = 0,338$, $p < 0,001$) and CSR support and attitudinal loyalty ($r = 0,396$, $p < 0,001$)), but they are statistically significant. It can be concluded that it is purposeful for a bank to get involved in CSR initiatives.

We can see from Table 3 that antecedents of long-term relationships correlate between each other, and these correlations are statistically significant. The strongest relation is between consumers' satisfaction and trust ($r = 0,662$, $p < 0,001$).

Analysis of the results reveals that consumers' intentions to get involved in positive word-of-mouth about socially responsible banks significantly correlates with all distinguished antecedents of long-term relationships. However, the strongest correlation is with consumers' commitment to a socially responsible bank ($r = 0,448$, $p < 0,001$). Consumers' behavioural and attitudinal loyalties correlate quite strongly with all the antecedents. Considering all the above-mentioned results it could be stated that antecedents of long-term relationships, i.e. satisfaction, trust, and commitment, affected by consumers' CSR support of a bank's CSR initiatives, remain strongly related with consumers' future intentions.

Conclusions

1. The theoretical review suggests that CSR initiatives are company attributes, and they are carefully evaluated by consumers. Thus they are meaningful only when they deliver additional value to consumers, i.e. when they support such company activities.
2. The level of consumers' support for CSR is treated as the indicator of consumer responses to the CSR initiatives in this article. It is argued that the level of CSR support depends on different factors of organizational as well as consumer levels.
3. The performed literature analysis allows us to state that CSR support has a positive effect on long-term relationships both through the antecedents, i.e. satisfaction, trust, and commitment, and directly. Results of long-term relationships include word-of-mouth, behavioural and attitudinal loyalties.
4. Findings of the empirical research contribute to the understanding of what CSR initiatives are important in the banking sector and what the relations between consumers' support for CSR and long-term relationships between consumers and socially responsible banks are.
5. When factorizing results of CSR attributes, related to activities of banks, six factors have been identified: "Satisfaction of needs of consumers and employees" (F1), "Support for community" (F2), "Development of economic activity" (F3), "Compliance with ethical standards" (F4), "Equality of human rights and support for the society" (F5), and "Compliance with legislation" (F6).
6. When analyzing what the main CSR initiatives of banks that have the strongest impact on consumers' CSR support of banks' initiatives in this domain are, stated and derived importance measurement techniques were used. The results show that "Satisfaction of needs of consumers and employees" and "Support for community" have to be considered as CSR initiatives of a prior importance for managerial solutions, "Compliance with ethical standards" is a potential reason for negative responses of consumers to a bank's CSR activities, and that by developing the dimension "Equality of human rights and support for the society" it is possible to "delight" consumers and increase their level of CSR support.
7. The direct and statistically significant correlation between CSR support and antecedents of long-term relationships as well as between CSR support and loyalty and word-of-mouth indicates that CSR could be treated as an effective means of strengthening and maintaining relationships between consumers and socially responsible banks.
8. Empirical study, presented in this article, has the limitation in terms of respondents' selection: only the segment of younger consumers was analysed. It would be purposeful to include other segments in future researches.
9. Further theoretical studies could be oriented towards analysis of consumer-company identification affected by a company's CSR initiatives.

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