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IMPLICATIONS OF WEB 2.0 USAGE IN HIGHER EDUCATION

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ABSTRACT

Web 2.0 includes collaborative and interactive Internet tools where individuals can easily share, create, and contribute to (global) conversations. One of fields where Web 2.0 can be efficiently applied is in higher education. Students have embraced Web 2.0 and actively use it in everyday' life by changing the way they communicate within and outside of school, through many Web 2.0 applications. These applications are emerging with educational potential thanks to unique opportunities of Web 2.0 for improvement of teaching tools in practice, collaboration, communication, individual expression, and literacy.

The aim of this paper is to investigate current situation in application of Web 2.0 as a teaching tool.

The paper critically analyses important issues related to the Web 2.0 impact on students' interest in particular courses. The paper examines recent literature about the Web 2.0 concept and its implications on teaching. The core of the paper is empirical research conducted among university teachers and students, which has been set to deliver the answers to the research questions and hypothesis in light of current understanding of this phenomenon and possibilities of application of Web 2.0 tools on a conceptual and operational level.

Key words: Internet, Web 2.0, marketing, teaching, communication.

Introduction

„I have a magic word for obtaining students' attention. I will share it with you. It is Facebook. When I see that I am on the way to lose students'

attention in the classroom I make comparison to the Facebook. An attention is back, like a magic.“ This is how a faculty member involved in undergraduate degree education shared his experience during New Faculty Orientation Program. This example reflects that over the past years, social network sites have become one of the most fashionable words for a whole range of evolutions regarding the Internet.

Although Web 2.0 and its tools were identified as the key technology for the next decade, the participants in educational field in Bosnia and Herzegovina are not aware of its potential in higher education (HE). The purpose of this paper is to promote scholarly inquiry about the need for a new type a pedagogy (Web 2.0 based) and the development / adoption of best practice in teaching and learning with Web 2.0 in the HE.

Research on social networking in education is still limited although the available research on social networks has focused on identity, network structures, privacy and technological issues and so the need for research on social networks in educational contexts is now recognized (Lockyer and Patterson, 2008).

Web 2.0.

The first used technologies, radio, TV, one-way video conferencing, e-mail, discussion forums etc. provided a communication between users within lack of effective interaction and collaboration (Usluela and Mazman, 2009). To fulfil in the shortages of Web 1.0 and to provide more effective interaction and collaboration, investigation of the ways of effectively using blogs, wikis, podcasts and social network in education has been initiated. The main characteristic of these tools called Web 2.0 is users' active participation in the content creation process. In studies of learning and teaching, as well as efficacious evolution of technology, the

importance of active participation, critical thinking, social presence, collaborative learning and two-way communications is also underlined for quality learning (Beldarrin, 2006).

Web 2.0. has many definitions (Zimmer, 2007; Alexander, 2006) that are highly debatable, but they don't exclude each other. They all confirm that Web 2.0 refers to the social use of the Web which allows people to collaborate, to get actively involved in creating content, to generate knowledge and to share information online (Usluela and Mazman, 2009).

Web 2.0. platforms are seen to have an emerging role to transform teaching and learning (Alexander and Levine, 2008). By the interactive technologies and media which are provided by Web 2.0., it supports contemporary pedagogic approaches (Ferdig, 2007) that lead student toward achieving desired learning outcomes delivered within flexible and new models of teaching and by distance education (Beldarrain, 2006).

Web 2.0. has many advantages that can be seen from its usage for education purposes, such as: costs reduction, flexibility, faster access to information, variety of Web 2.0. technologies, possibility to control access to resources by authenticating users, compatibility. But in same time, some disadvantages could be identified: an Internet connection is required, concepts that are still insufficiently defined, variations between browsers, a low quality of the actual content, limited security (Grosbeck, 2009).

The most common tools of Web 2.0. that will be discussed are: blog, wiki, podcast and social network (Koniczny, 2007; Lamb, 2004; Zeinstejer, 2008).

Rapid development of information and communication technologies has brought about changes in various pedagogical and technological applications and processes. Currently, social networks are being adopted rapidly by millions of users most of whom are students with a great number of purposes in mind (Lenhart and Madden, 2007; Selwyn, 2007). Studies showed that social network tools support educational activities by making interaction, collaboration, active participation, information and resource sharing, and critical thinking possible (Ajjan and Hartshorne, 2008; Mason, 2006; Selwyn, 2007). Hence, explaining the reasons for social networks' rapid diffusion, adoption and acceptance by individuals and users' purposes is fundamentally important to determine the factors influencing users' adoption

of social networks in educational context. (Mazman and Usluel, 2010)

Social networks: the Facebook case

Social networking sites, such as Facebook, MySpace, Friendster, LiveJournal, and Bebo, are designed to foster social interaction in a virtual environment. Such interactions can potentially address many concerns of adolescence and emerging adulthood, such as the need for friendship and peer feedback (Pempek, Yermolayeva and Calvert, 2009). While it is expected that social networks will increase interaction related to formal educational purposes, young people also use these applications to continue their informal education such as by following and commenting on academic and social issues, dilemmas and disappointments faced while pursuing university education (Selwyn, 2007; Gillet, El Helou, Yu and Salzmann, 2008).

Facebook.com originated in 2004, having been developed by Mark Zuckerberg, to facilitate social interaction exclusively among college students. It is described as an online directory that connects people through social networks at colleges and universities (Zuckerberg, 2005). The site now includes more than 500 million active users, who spend over 700 billion minutes per month on the Facebook (FB). FB's popularity raises questions about the website's impact on college student life (Barratt, Hendrickson, Stephens, and Torres, 2005). After expanding FB use to individuals outside the college and university system, the age group experiencing the most growth was 25–34 year-olds, with an increase of 181%, and the 35 and older group, which increased by 98% (Lipsman, 2007). However, despite this growth in older age groups, FB remains primarily a college- age and emerging adult phenomenon (Facenook, 2011).

Each user maintains a "profile," which is a webpage containing basic and personal information about the person, such as his or her name and whether he or she is single or in a relationship. In addition, FB allows users to designate friends (average user has 130 friends based on Facebook statistics) and to upload/post pictures/videos that can be tagged and commented on by other users. It offers several options for communicating with others: by sending private messages, posting public messages, communicating in groups. Users are having on their disposal many other different applications. As evidenced above, FB is a popular time-consuming activity that undoubtedly

has some impact on college student life. (Kirschner and Karpinski 2010).

Internet and higher education in Bosnia and Herzegovina

It is obvious that, by eliminating time and space barriers, the Internet provides users with fantastic

opportunities in terms of interaction, information, education and entertainment. However, Bosnia and Herzegovina is lagging behind the region, because of war circumstances, underdeveloped market and the general illiteracy of the population. In last years it is evident (Table 1) that the number of Internet users in BH is growing.

Table 1: Internet usage in BH

YEAR	Users	Population	% Pop.
2000	7,000	4,339,600	0.2 %
2002	100,000	4,452,876	2.2 %
2006	806,400	4,568,399	17.5 %
2007	950,000	4,672,165	20.3 %
2010	1,441,000	4,621,598	31.2 %

Source: Internet World Stats <http://www.internetworldstats.com/euro/ba.htm> (Accessed: February 13th 2011)

Among the citizens over 15 years old, 35% are Internet users. Internet is the best accepted by the younger generation, especially those aged 15-24 years, almost $\frac{3}{4}$ of whom use Internet. 84% of students and pupils have used Internet at least once, (followed by permanent employees) while among pensioners there are only 4% of users. Age plays an important role because it is evident that younger people access the Internet more frequently (48% of Internet users are between 15-24 years old). Number of male Internet users is 38% and the number of female Internet users is 33%. When it comes to frequency, half of the Internet users use it every day.

Bosnia and Herzegovina has 8 public universities (Sarajevo, Sarajevo-East, Tuzla, Zenica, Banja Luka, Bihać, Mostar-East, Mostar-West). In addition, over the last ten years many private universities/schools have been established. In the winter semester of the 2009/2010 academic year, in B&H, 109.579 students were enrolled in 43 institutions of higher education, which was 3.9% higher or 4,091 students more than in previous year. In 2009, 16.981 students were granted bachelor degrees. There are no reliable data on the number of students who completed their studies on time, although the total number of graduates is rising every year (given in Table 2). It is estimated that students, in average, study for 5 years to graduate.

Table 2: Number of the graduates in B&H (from 2005-2009)

Year	2009	2008	2007	2006	2005
No. of graduates	16,981	15,246	10,003	8,127	6,848

Source: Agency for Statistics of B&H, 2010

Official data is that B&H has around 5.000 faculty members. In reality there are around 4.000 faculty members, because many institutions report staff that are full-time employed at another university (Jazvić, 2011).

Methodology

Despite its rapid growth and current popularity, it is still unclear whether or not Facebook has a future as a mainstream communication tool in our society, let alone as supports to education (Roblyer et al., 2010). Schwartz (2009) is among those who see benefits from FB saying that it

increases the potential for real time, face-to-face conversations that are rich in connection, depth, risk taking, and growth. An idea that has gained currency is that the generation born after 1980 grew up with access to computers and the Internet and is therefore inherently technology-savvy (Oblinger and Oblinger, 2005; Palfrey and Gasser, 2008; Prensky, 2001; Tapscott, 1998) and FB should be seen as a tool for improvement educational process.

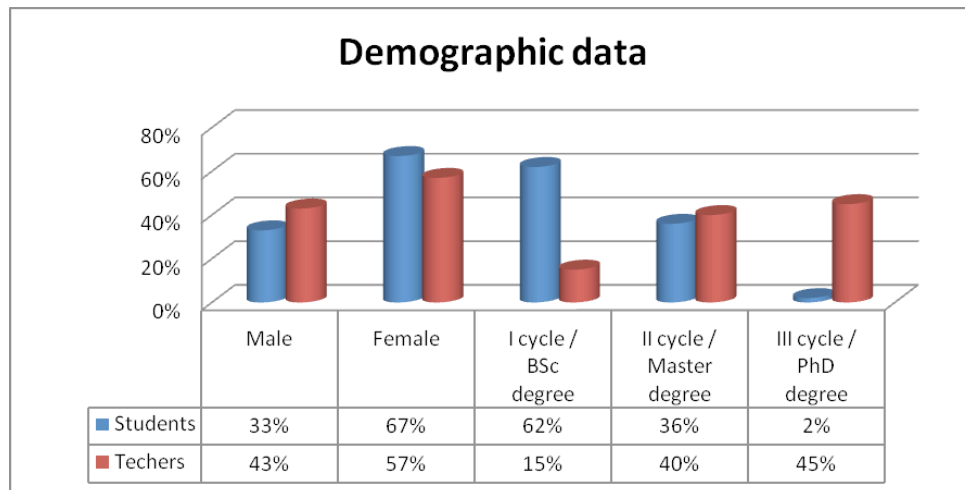
The purpose of this study is to explain how students and faculty members see potential of utilizing the Facebook in education in B&H. The

factors that drive students and teachers to use Web 2.0., and particular social networks (e.g., Facebook) were explored. Research tried to investigate the relationship between users' purposes in using Facebook and the potential for educational usage of the Facebook.

The research was conducted in Bosnia and Herzegovina (BH) through an online survey

developed by the researchers using GoogleDocs. Quantitative research was conducted with randomly selected 343 students of I cycle (212), II cycle (123) and III cycle (8). Teachers' opinions were represented by 76 respondents. In order to have better response rate, the snowball technique in sampling was used. Demographic data are shown in Figure 1.

Figure 1: Research sample demographic data



Two sets of hypotheses were formulated as follows:

- H1. Students of all degrees (levels) in BH use FB daily;
- H2. Students of all degrees (levels) in BH use FB primarily for social interaction;
- H3. Students who have FB accounts see significant potential for use of certain Web 2.0. tools in education;
- H4. The higher the frequency of FB usage, the greater the potential for use of certain Web 2.0. tools;
- H5. Undergraduate students believe that FB usage in education would highly increase interest in course materials;
- H6. Faculty members do not believe in FB potential in education;
- H7. There is discrepancy in FB usage between younger and older faculty members.

Students and faculty members obtained information on survey through: FB, mailing and official courseware site (CMS) based on Moodle platform at the School of Economics and Business Sarajevo. Most students indicated that they had filled out the survey because of the information obtained through FB (45%), E-mail (27%), Courseware Moodle site (22%) and through other tools (5%).

Research results and discussion

Research has shown that a high percentage of students (87%) and teachers (94%) use the Internet several times a day. This result has a positive effect on the representativeness of the research because it proves that the respondents are Internet users, and therefore potential users of Web 2.0 tools, and that their responses are relevant when it comes to the potential of Web 2.0 in education.

When it comes to the purpose of Internet usage, research shows that students use the Internet mostly for communication (25%) and for educational purposes (24%), slightly less for entertainment purposes (21%) and to collect information (18%) and it is the least used for business (5%), buying / selling (4%) and Internet banking (3%). As for teachers, Internet usage is mostly for educational purposes (28%), collecting information (24%) and communication (21%), for business or entertainment (9%), while it is the least used for Internet banking (7%) and buying / selling (2%).

It was shown that 93% of student respondents have a Facebook account, and 66% of them visit

their FB profile several times a day. As for teachers, 57% of them are present on Facebook, but with much lower frequency (10% of them visit FB several times a day). Not a single teacher has created a FB page for his courses. With this, H1 and H2 are both confirmed.

Both students and teachers are familiar with the existence of Web 2.0 tools such as social networks, wiki, live chat, forums, P2P communications, blogs, UGC. Familiarity with: podcasts, RSS feed, CMS (Content Management System) and collaborative tools is lower and it is shown in Table 3.

Table 3: Familiarity with Web 2.0 tools

I have heard about...	Students		Teachers	
	Yes	No	Yes	No
Social networks	99%	1%	99%	1%
Wiki	98%	2%	100%	0%
Live chat & Instant messaging	98%	2%	99%	1%
Forums	97%	3%	99%	1%
P2P communications	98%	2%	97%	3%
Blogs	95%	5%	92%	8%
Podcasts	45%	55%	28%	72%
RSS feed	50%	50%	47%	53%
UGC - User generated content	94%	6%	97%	3%
Content management systems	50%	50%	76%	24%
Collaborative tools	91%	9%	75%	25%

The previous is followed by different answers when it comes to using these tools by student population compared to teachers, where it is

clear that students use Web 2.0 tools much more than teachers do.

Table 4: Use of Web 2.0 tools by student and teacher population

Tool	N Students	Min	Max	Mean	Std. Dev.	N Teachers	Min	Max	Mean	Std. Dev.
Social networks	338	1	5	4,3	1,124	72	1	5	2,83	1,556
Wiki	337	1	5	3,53	0,9	74	1	5	3,43	0,923
Live chat & instant messaging	336	1	5	3,7	1,149	72	1	5	2,43	1,341
Forums	334	1	5	2,87	1,097	69	1	5	2,39	1,032
P2P	335	1	5	2,73	1,32	74	1	5	2,72	1,33
Blogs	334	1	5	1,98	1,034	71	1	4	1,7	0,852
Podcasts	331	1	5	1,52	0,925	67	1	4	1,24	0,676
RSS feed	328	1	5	1,66	1,046	65	1	4	1,37	0,84
UGC	333	1	5	3,86	1,165	68	1	5	3,1	1,248
CMS	336	1	5	1,91	1,289	68	1	5	2,88	1,766
Collaborative tools	333	1	5	3,13	1,442	70	1	5	2,59	1,602

Comparing the attitudes of students and teachers (table below) about the potential of certain Web

2.0. tools in education, the largest differences are reflected in the perception of the potential of

social networks, wiki, CMS and collaborative tools. It is interesting to note that the collaborative tools, commonly used in education, have received extremely low scores by students, although they are intended for them in the first place.

Table 5. Comparison of the use of Web 2.0 tools among students and teachers

Tool	N Students	Min	Max	Mean	Std. Dev.	N Teachers	Min	Max	Mean	Std. Dev.
Social networks	327	1	5	2,88	1,317	61	1	5	2,34	1,353
Wiki	332	1	5	4,09	1,087	65	1	5	3,58	1,223
Live chat & instant messaging	326	1	5	3	1,234	63	1	5	2,51	1,19
Forums	322	1	5	3,9	1,093	65	1	5	3,46	1,062
P2P communications	322	1	5	3,05	1,361	62	1	5	2,9	1,277
Blogs	319	1	5	3,18	1,267	61	1	5	2,66	1,302
Podcasts	294	1	5	2,33	1,179	48	1	4	1,94	1,019
RSS feed	288	1	5	2,41	1,212	48	1	5	1,96	1,129
UGC - User generated content	319	1	5	3,03	1,242	61	1	5	2,79	1,404
CMS	303	1	5	2,89	1,411	54	1	5	4,02	1,394
Collaborative tools	316	1	5	3,92	1,198	55	1	5	3,49	1,502

When it comes to students, it is noticeable that the more they use FB the higher potential in education they see, and it is similar with the potential of live chat, UGC and Wiki, which can be seen in the following table. It is clear that increased time spent on FB positively affects the attitude about the potential of tools. Still, the attitude about the potential of Web 2.0 tools (social networks, live chat and UGC) in education is inversely proportional to students' age. So, the

attitude of undergraduate students about the potential of use of social networks in education is expressed in an average grade 2.92 (standard deviation 1.328), master students evaluate the potential with 2.89 (standard deviation 1.67), while PhD students evaluate the potential with 2.88 (standard deviation 1.317) (Table 6). The findings shown in table 6 confirm hypotheses 3 and 4.

Table 6: Attitudes about the potential of Web 2.0. tools for student population

Level of study		Social networks	Wiki	Live chat & instant messaging	Forums	P2P	Blogs	Podcasts	RSS feed	UGC	CMS	Collaborative tools
Bachelor	Mean	2,92	4,16	3,16	3,96	3,18	3,25	2,37	2,41	3,06	2,85	3,85
	Std. Dev.	1,328	1,028	1,227	1,087	1,361	1,298	1,221	1,218	1,247	1,391	1,218
Master	Mean	2,89	3,97	2,77	3,81	2,87	3,04	2,25	2,43	3,00	2,95	4,02
	Std. Dev.	1,284	1,163	1,197	1,072	1,320	1,202	1,108	1,206	1,207	1,410	1,142
PhD	Mean	1,67	4,00	1,83	3,50	1,83	3,33	2,50	2,17	2,67	3,00	4,17
	Std. Dev.	1,211	1,549	,983	1,643	1,329	1,366	1,225	1,329	1,862	2,191	1,602
Total	Mean	2,88	4,09	3,00	3,90	3,05	3,18	2,33	2,41	3,03	2,89	3,92
	Std. Dev.	1,317	1,087	1,234	1,093	1,361	1,267	1,179	1,212	1,242	1,411	1,198

Table 7. Correlation of characteristics of using FB and the attitude about the potential of Web 2.0. tools for student population

Attribute		Social networks	Wiki	Live chat & instant messaging	Forums	P2P	Blogs	Podcasts	RSS feed	UGC	CMS	Collaborative tools
The frequency of FB use	Pearson Correlation	,755(**)	,145(**)	,304(**)	,035	-,011	,117(*)	,012	,001	,295(**)	-,112(*)	-,049
	Sig. (2-tailed)	,000	,008	,000	,526	,841	,034	,829	,992	,000	,041	,379
	N	335	334	333	331	332	331	328	325	330	333	330
Time spent on FB per week	Pearson Correlation	,571(**)	,080	,332(**)	,029	-,026	,069	,010	,018	,256(**)	-,125(*)	-,041
	Sig. (2-tailed)	,000	,142	,000	,596	,629	,207	,855	,750	,000	,022	,453
	N	338	337	336	334	335	334	331	328	333	336	333
Age	Pearson Correlation	-,326(**)	-,099	-,295(**)	,062	,150(**)	-,036	,077	,098	-,200(**)	,053	-,018
	Sig. (2-tailed)	,000	,078	,000	,270	,007	,523	,173	,083	,000	,342	,754
	N	321	321	320	318	319	318	315	312	317	320	317
Having a FB account	Pearson Correlation	,702(**)	,107(*)	,235(**)	,038	,119(*)	,149(**)	,026	,026	,186(**)	-,115(*)	,049
	Sig. (2-tailed)	,000	,049	,000	,488	,030	,006	,643	,636	,001	,036	,375
	N	338	337	336	334	335	334	331	328	333	336	333

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

Students clearly indicated with their responses that their interest would increase if the courses

they study had a FB page (3.66), and that would, they believe, improve their communication skills. Students are one step ahead of teachers and they are already joining groups related to their fields of study. The findings shown in table 8 confirm hypothesis 5.

Table 8: Descriptive Statistics for the students' attitudes towards FB usage in education

Attitude	N	Min	Max	Mean	Std. Dev.
If the Faculty course that I am taking had a web page, I would visit it often.	336	1	5	3,66	1,373
Interaction with teachers through Facebook would improve my communication abilities and skills.	334	1	5	3,37	1,416
I am a member of Facebook groups related to my studies.	333	1	5	3,72	1,518
Facebook can ease and improve communication between teachers and students.	332	1	5	3,48	1,428
I would feel comfortable if my teachers had access to the contents of my Facebook profile.	333	1	5	2,43	1,381
Facebook can improve the quality of education I receive.	334	1	5	2,88	1,339
Valid N (listwise)	322				

Comparing students' previous responses to the fact that none of the respondents from the teacher population created a FB page for their course, there is clearly a gap between the students and teachers attitude toward the same issue. The gap continues to deepen with the fact that the mean value (on a scale 1-5) of responses about the teacher membership in

groups that are connected within their profession is 0.17. This confirms the hypothesis 6.

Although the majority of teachers are FB users (57%) it is clear that if you make comparisons of the academic progress of the teaching staff to their attitude toward the use of Web 2.0. tools in education (including FB), the connection is

inversely proportional (Table 11). As the teaching staff moves from bachelor title to PhD, it is believed that the Web 2.0 tools have lower potential. This confirms the last, hypothesis 7.

Table 9: Responses from the teaching staff with various academic titles about the potential of certain tools in education

Educational level		Social networks	Wiki	Live chat & instant messaging	Forums	P2P	Blogs	Podcasts	RSS feed	UGC	CMS	Collaborative tools
Bachelor	Mean	2,55	4,17	2,27	4,00	2,73	3,20	2,00	1,78	3,40	4,30	4,20
	N	11	12	11	12	11	10	10	9	10	10	10
	Std. Dev.	1,572	,835	1,348	,953	1,555	1,398	1,155	1,093	1,506	1,337	1,398
Master	Mean	2,41	3,46	2,41	3,21	3,00	2,48	1,74	2,05	2,93	3,71	3,55
	N	27	28	27	28	26	27	19	22	27	21	22
	Std. Dev.	1,366	1,347	1,217	,917	1,296	1,156	,933	1,253	1,357	1,488	1,371
PhD	Mean	2,17	3,44	2,72	3,48	2,88	2,62	2,11	1,94	2,38	4,17	3,13
	N	23	25	25	25	25	24	19	17	24	23	23
	Std. Dev.	1,267	1,193	1,100	1,194	1,166	1,408	1,049	1,029	1,345	1,337	1,604
Total	Mean	2,34	3,58	2,51	3,46	2,90	2,66	1,94	1,96	2,79	4,02	3,49
	N	61	65	63	65	62	61	48	48	61	54	55
	Std. Dev.	1,353	1,223	1,190	1,062	1,277	1,302	1,019	1,129	1,404	1,394	1,502

Conclusion

Using social networks in an academic context is attractive for young users. They believe that by using Web 2.0 tools in education, they will be given a chance to acquire new knowledge through subliminal, effective and smooth learning processes. They perceived the content presented in that way as enjoyable, interactive, interesting and motivating. The results of the study provided evidence that undergraduate students see potential of Web 2.0 tool (especially Facebook) more than faculty members who teach and mentor them. In order to decrease a gap between these attitudes, faculty members should start to look on a Facebook as a technology that presents additional opportunities for educational communication and mentoring.

Research has shown that students are not satisfied with the utilization of CMS tools that are currently used for educational purposes. The specific implication that academic staff may have from this paper is that in the undergraduate studies it is preferable to use tools such as social networks and forums. On the other hand, for master's and doctoral studies students expect a more serious approach that involves the use of CMS tools.

The limitation of this study is that it observed students of various sciences as a unified group. The next study should include the profiling of certain tools for studying specific scientific disciplines. The limitation can also be the fact that the sample of observed teachers was relatively small (N = 76), therefore, for better representation of the research a larger sample should be considered.

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ECOLOGICAL ATTITUDES OF THE EMPLOYEES IN THE MATRIX OF ECOLOGICAL MANAGEMENT

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Abstract

The way from ecological upbringing and education to ecological awareness and ecological behavior is long, gradual and demanding. The countries originated from the former Yugoslavia, Serbia being among them, have relatively late established, relating to EU countries, the processes in environmental protection. Therefore, researching the employees' attitudes in the organizations for protection and advance the state of living and working environment is a very important entry to form the ecological management in organizations. This work points to the results of researches on various aspects of ecological attitudes of the employees (at all the levels of an organization) with the idea of trying to establish interconnections of economic and ecological efficiency in the economy of Vojvodina.

Key words: ecological management, ecological attitudes, ecological efficiency

1. Introduction

In the preface of the publication 'An Introduction to Business Ethics and Corporative Social Responsibility', Bowie (2007) recommends that nevertheless there is nothing bad that students of business schools want to become managers and earn a lot of money, this money should be earned in a morally correct way. In Europe, managers have the obligation to accept the procedures of sustainable way of business.

By these simple, but important and heavily attainable attitudes, we come to the entries of **business ethics** as kind of applied ethics. According to Mladić (2007, p.43) 'business ethics is based on three kinds of moral decisions, i.e. three principles which business ethics usually uses:

1. Principle of utility
2. Principle of law
3. Principle of righteousness'

1. The principle of **utility** is defined as the principle of good consequences increase – well-being for every individual and his/her organization, abridged in the syntagma 'the greatest well-being for the greatest number of people.'

2. The principle of **law** is the heritage of contemporary time and law science development, about which we cannot talk without its supplement of **duty** (responsibility). 3. The principle of **righteousness** is gradually emphasized in attained property distribution (or the distribution of work, which must be done in order to reach these properties).

The cited principles have been more or less developed and woven in the social, economic, political being of every national (read: the state) community, with the tendency of permanent advancement and/or improvement.

Education (and upbringing) has an unavoidable and, we can freely say, the key role in these processes at all the educational levels, at all the level of social organization and, finally, in every stratum of the organization, as well the corporation.

Not getting to the hearth of corporations, their role in the economy, aim and sense of their organization, we keep thinking about the thesis that today it is necessary to conceptualize again this form of the organization to answer the questions: to whose well-being and whose expense we should manage corporations (Freeman, 2007).

It is not difficult to feel a premonition that the 'story' about the capital owner – manager relationship gets another dimension, another interested party – the employees in corporations, their families, local communities, i.e. their interests based on the basic human rights, and safe and healthy environment being among them. Therefore, we cannot talk today about the sovereign right of capital owners and engaged managers to forward unlimitedly visible or invisible costs of their business to others,

enjoying themselves in the profit acquired in this way.

The so-called 'rational pluralism' is established in this way, as the characteristic of functioning modern corporations, which in the valuable matrix of their business orientation includes the **ecological principle**, to which:

- Corporations should be managed in accordance with the principle of the concern for the Earth
- Managers should care about the Earth
- System creating should be based on ecology.

2. The principle of law and its dissemination

As already said in the introductory part, the principle of law is one of the three supporting pillars of business ethics and the foundation of the long-term sustainable functioning of every system. Its supplement has the same importance in its realization – the responsibility, which is another name for law, it is inseparable part and the 'mirror'. This principle of law, seen in this way, is not a special innovation, regarding to the fact that every 'legal contract' is based on law and responsibility. The innovation is, however, that the modern era brings responsibilities which are not always legally regulated (legal contract), but which are understood or they should be understood in the next phase of developing corporate law. Ćorić (2007, p. 381) states that 'the social responsibility of entrepreneurs is NOT ONLY to pay taxes regularly, register the employees according to regulations (paying taxes, the absence of unregistered workers, and so on), cherishing good relationships with consumers, suppliers, individuals. In an well-established society it is understood!'

For that purpose, in the system of corporate social responsibility, it is necessary to include all the interested groups (shareholders, owners, employees), as well as all business functions (procurement, production, sale, accounting and others). In the countries which have not, or not enough, increased the quality level of the living environment (among them being Serbia, too), the problem is at its initial stage. Therefore, to choose between different strategies for improving social responsibility, it is necessary to start from advancing awareness about the importance of the living environment for the overall social, as well as economic, development.

3. The path to ecological awareness

We all share now the concern for the state and the future of the living environment, but it is not enough. In fact, we, the people, accept and

process information in different way and make choice relating to the living environment and it contributes to the global hesitation (Gore, 2010).

The cited differences are multi-dimensional and conditioned in different ways as from where we live, how we live, the degree and profile of education, until to tradition, culture, myths, political milieu, and so on. In developed countries, and more and more in developing countries, consumption takes on absurd dimensions becoming its own target. 'Obsession with material goods makes the people to be participants in reward games: the winner is that who dies with the greatest number of toys', as Al Gore (2010, p.311) commented witty in his book 'Our Choice'. In order to adapt this behavior to a rational measure, a radical turn is necessary in the way of thinking and behavior, where the system of education and upbringing is unavoidable. It should enable to redefine the valuable matrix of every community, from the state to the local one, i.e. organizational and family at last.

The educational-upbringing path is solid but long lasting. Taking dramatic warning and the prognoses of scientists about this problem into consideration, some faster activities are needed – campaigns on some problems relating to the state of the living environment as actions "Let's Clean Serbia", "Recycling is not Shame", "Million Threes", and so on. These campaigns are useful because some evident problems can be solved very quickly (as eliminating wild landfills, regulation and reconstruction of riverbanks, city squares, markets, and so on). The effects we want to reach in the form of responsible way of life in our environment must be based on the combination of persistent education, upbringing and target campaigns.

The socially responsible behavior of individuals is multi-dimensional because an grown-up person lives more different roles per day – the housekeeper, worker in the company, participant in the traffic, teacher of the young (both professionally and individually), consumer, and so on. In all the cited roles, the person should behave responsibly to the living and working environment in order to realize the basic principle of sustainable development and high-quality life for the present and future generations.

4. Business will save the world

In the debates on the problems of corporate social responsibility for the sustainable development, it is emphasized, among other

things, that all the companies, from the little shop on the corner to the largest conglomerate, must try more and become socially and environmentally responsible. Large corporations have bigger responsibility taking into consideration their influence relating to resource control and use, as well as the great number of employees.

Some corporations in the world have already 'accepted' responsible behavior, based on the available ecological reporting, but it is still insufficient and objectively uncertain (Stanje sveta, 2006).

The crucial question, however, is what the nation (country) should do where ecological awareness is developing through the system of primary and secondary education in the volume (quality is not considered here) of 3-30% lessons within the framework of nature study and biology, and just sporadically at the higher educational level in the last several years (Komazec, 2007). Besides, Serbia is characterized by other, not less important numerous problems resulting in the inappropriate quality of the living and working environment and, therefore, the life in general, as destroyed economy, high rate of unemployment, privatization, fragile political situation and general transition.

We have to take into consideration that the education system is also in transition, where the so-called Bologna process is developing, as part of the process of higher education reform in order to increase the quality of this education segment and creating the uniform European education area. The problem becomes more complex because of its (objective?) palliation, where a very necessary systematic approach in education misses, therefore in the ecological-educational process.

As the real life is often faster than theory and politics (and their instruments), it is necessary to develop numerous consensuses between interested groups and the so-called 'green babies' (Komazec, 2005). These groups including mostly the young people require from the government and managers to provide at least the same conditions for their future as they used to enjoy in the second part of the 20th century not caring for the costs of this well-fare, leaving it to this and the next generations.

5. Knowledge, awareness and ecological behavior – the results of researches

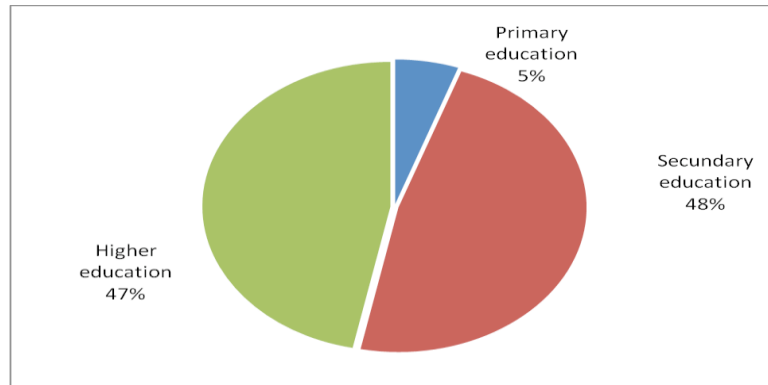
It is possible and therefore we should talk about sustainable development both at the global and individual level at the same time. Just the individual effort is the key to form the sustainable future, and its foundation is to develop ecological intelligence, ecological education and understanding the 'speech of the nature'. One Ph.D. candidate, of the co-author of this work, preparing the dissertation in the field of sustainable tourism, put the question if it was the problem to print the work on the recycled paper. I was greatly surprised and enthusiastic about it. It was also a wonder to put such a question today.

Ecological education, as part of our general education, can be acquired in the form of formal and informal educational system. Working four years on the project 'The Interdependence of Economic Efficiency and the Living and Working Environmental Protection in the territory of Vojvodina', a questionnaire was carried out among the employees in the enterprises chosen from the register of polluters found on the website of the Agency for Environmental Protection of the Republic of Serbia. Researchers had a very interesting experience in indirect contacts with the chosen enterprises relating to the attitude of the organization to the problems of the living and working environment. Almost all the enterprises, over 90%, within the framework of their web presentations had one or more people engaged in environmental management. However, the biggest polluters in Vojvodina did not allow us to carry out the questionnaire among the employees about their individual knowledge and attitudes in the field of the living environment and sustainable development, social responsibility in general, nor even about this topic in the enterprise where they worked.

The questionnaire included over 400 respondents with the notion that Respondents did not answer all the questions, therefore some deviations appeared in the relative number of answers. In our research, 53.35% of participants were masculine, 46.65% feminine, 32.29% respondents aged from 21 to 35, 53.74% aged from 36 to 55, and 13.97% were from 56 to 65 years.

According to the educational level, the pattern of respondent was untypical for Serbia overall since one fifth of inhabitants in Serbia or 21.9% has incomplete primary education, one fourth or 24% has primary education, four from ten (41.1%) finished the secondary school, and 6.5% has the university diploma, according to the data of the Statistical Office of the Republic of Serbia, based on the census in 2002.

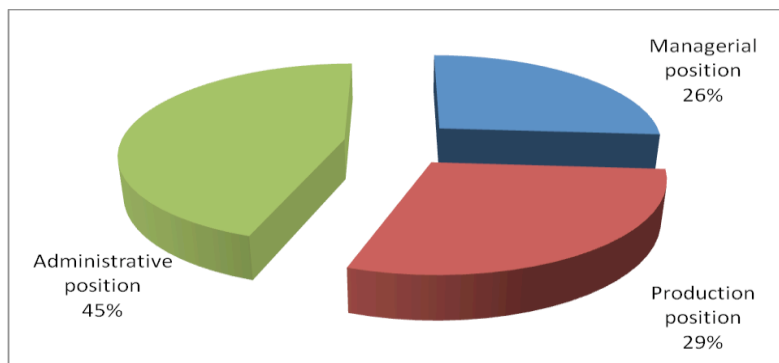
Figure 1. Level of education



Level of education	Number of respondents
Primary education	21
Secondary education	185
Higher education	181
Total	387

Respondents in the organizations were positioned according to the following strata

Figure 2. Position in organisation



Position in organisation	Number of respondents
Managerial position	100
Production position	112
Administrative position	171
Total	383

Thus, 26.1% of respondents were at the managerial level, while 73.9% were in the production and administrative positions.

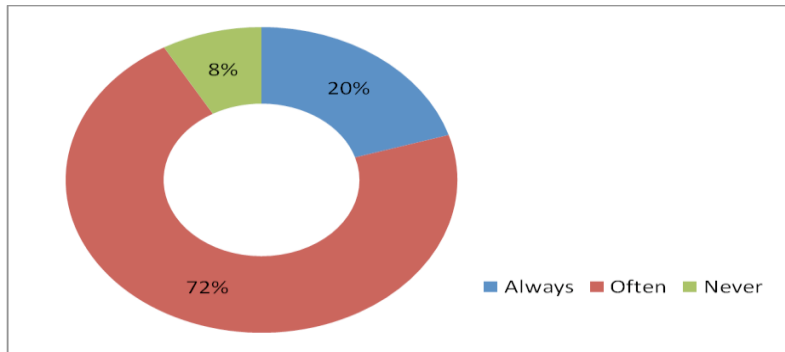
It is clear that the results of the questionnaire responding with the theme of the work are presented here, as well those relating to

knowledge, awareness and personal attitudes of individuals to the problems of the living and working environment. Therefore, appropriate decisions could be made in the processes of ecological management, as decisions on the employees' education on the living environment, the influence of technological process on the

employees' health, rights of the employees to the healthy living and working environment, and so on.

So, for example, the answers to the question, if and how often they think about ecology as the science, are the following:

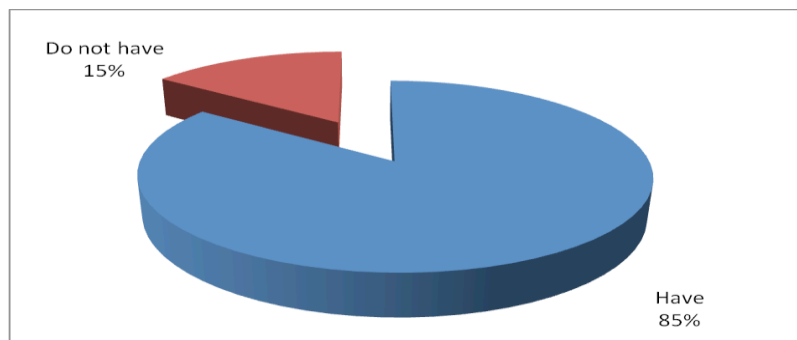
Figure 3.



If and how often they think about ecology	Number of respondents
Always	78
Often	275
Never	32
Total	385

Respondents' answers about ecological knowledge

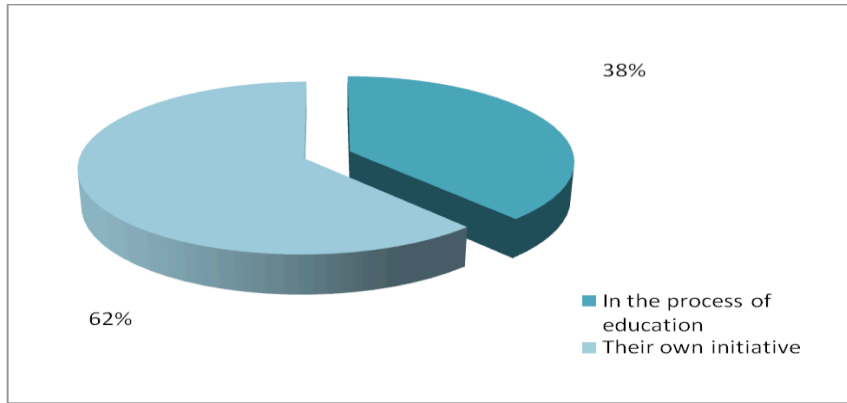
Figure 4.



Ecological knowledge	Number of respondents
Have	325
Do not have	58
Total	383

Respondents acquired knowledge

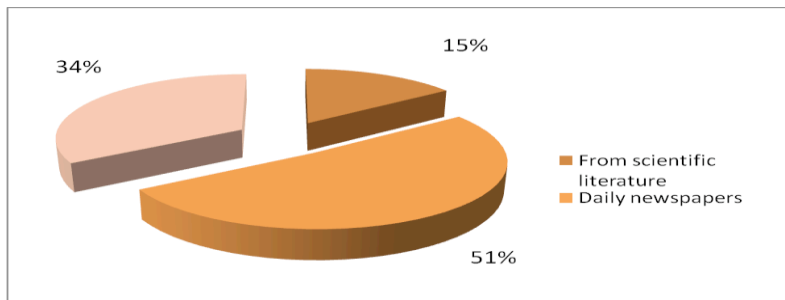
Figure 5.



Knowledge acquired	Number of respondents
In the process of education	156
Their own initiative	252
Total	408

Respondents get information about environment

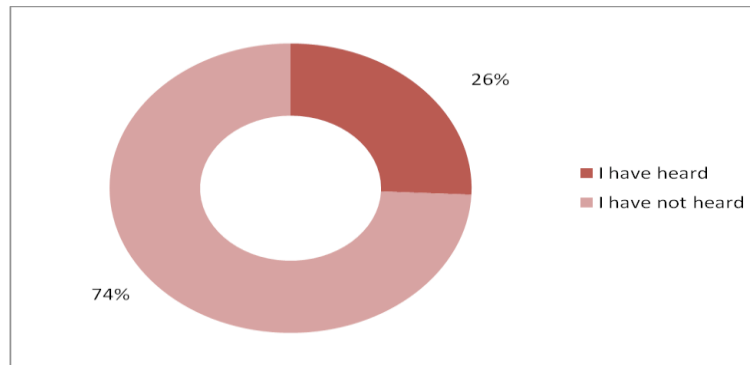
Figure 6.



Respondents get information on environment	Number of respondents
From scientific literature	69
Daily newspapers	232
Internet	152
Total	453

In this context, there are interesting answers on the question about Agenda 21

Figure 7.



About Agenda 21	Number of respondents
I have heard	99
I have not heard	286
Total	385

Based on the research results carried out, we can conclude that almost two third of respondents acquired knowledge about ecology initiatively, got information, before all, on the Internet and daily newspapers. In this way, the results confirm the thesis that formal ecological education is not developed enough, i.e. scientific literature for most respondents is not the source of knowledge about the need for environmental protection.

6. Summary

We are witnesses of establishing the systems of the so-called green values in all the segments of life, as well as in the processes of enterprise management. The matrix of ecological management is inconceivable without ecological knowledge, ecological awareness, ecological intelligence and ecological behavior. The employees in organizations are the active element of ecological management and all of them bear their responsibility (both active and passive) for the state of the living and working environment.

Ecological awareness and ecological behavior are not mutually directly proportional variables. They are often contradictory. The researches on ecological awareness and ecological knowledge, the results of which have been partly presented and analyzed in the work, confirm this thesis, and managers can benefit from this in the processes of advancing the quality of living and working environment.

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MOBILITY OF SPECIAL INTEREST GROUPS: SIGHT AND HEARING IMPAIRED IN FOCUS

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Abstract

Mobility is probably one of the most important factors affecting a person's quality of life. However, there are many groups with restricted or limited mobility. The paper is targeted at the sight and hearing impaired who are often not recognised as a group for their own with special needs and expectations regarding mobility services. As a consequence convenient solutions are missing or do not fit the needs of people with sight or hearing impairments who more and more often refrain from undertaking journeys both on short (shopping, visits, etc.) or longer distances (going on holiday).

This Paper presents the findings of a qualitative short study as well as the first results of large-scale co-operative Project MoViH funded by the Austrian Research Promotion Agency.

The results are split according to the two groups of sight and hearing impaired passengers. Additionally the barriers they encounter and possible measures and solutions that might incentivise them in using public transport will be detailed. Furthermore an outlook is provided on the possible effects of these findings for the tourism industry.

Keywords: mobility, special interest groups, customer behaviour, public transport

Introduction

Every day millions of people use public transport to reach their workplace, their leisure activities, do their shopping, visit friends and family and go on holidays via various modes of transport. Most of them take the services provided to them for granted.

Two special interest groups who are often hindered to use these basic services are in the focus of this article. The sight and the hearing

impaired constitute two significantly sized passenger segments with special needs and barriers that are widely ignored by public transport service providers. However the public transport systems represent quite often the only possibility for these people to be mobile.

Furthermore it is often falsely assumed that solutions implemented for blind or deaf passengers will also help sight or hearing impaired in their mobility. As the latter are still able to utilise their, albeit restricted, optical or acoustical senses, respectively, it is imperative to support the two groups in their use of specialised solutions.

Background

A dedicated module of the micro census survey by Statistics Austria showed that roughly 3.8% of the population (or 318.000 people) suffer from persistent sight impairments and about 2.5% (202.000 people) are hard of hearing. Both groups tend to include older persons with females representing a majority of the persons concerned. In contrast only around 8.000 persons in Austria are blind and another 8.000 are deaf. (Leitner, 2007) Therefore measures taken for the first two groups reach a by far wider number of persons. Taking into account the utility those solutions provide to "normal" sighted or hearing people every measure helps basically all passengers – following the principle "Design4all" – and thus could show an opportunity for transport companies to improve their profit.

<<Diagram 1: Respective sizes of groups of impaired in Austria (Leitner, 2007)>>

It is not the authors' intention to play any groups off against each other, but to increase the sensitivity for the needs of the sight and hearing

impaired. Eventually it is necessary to identify problems, show ways to easily solve them and keep pushing towards a continuously improving dialog between all stakeholders.

Definitions

To clearly identify the two target groups it was necessary to investigate the different parameters that can be used to determine a visual or acoustical impairment. However to comply with the respective studies, the parameters are trimmed towards mobility decreasing factors.

Sight impairment

Based on interviews with experts, including ophthalmologists, orthoptists and optometrists,

six main parameters for the quality of seeing could be identified. As the visual acuity is the main delimiting factor when using public transport services, this parameter is explained in more detail, while the others are mentioned for the sake of completeness.

1. Visual acuity (visus cum correctione, v.c.c; 1.0 is the average normal eyesight) determines the distance in which an opening of 1° in a standard Landolt-circle can be assessed. Persons with low visual acuity show a decreased ability to read information texts and electronic displays at a distance. This parameter is also the commonly used one by official regulations like the International Classification of Diseases (ICD-10) (which also includes field of vision) shown in Table 1.

Category of visual impairment	Visual acuity with best possible correction	
	Maximum less than:	Minimum equal to or better than
1	6/18	6/60
	3/10 (0,3)	1/10 (0,1)
	20/70	20/200
2	6/60	3/60
	1/10 (0,1)	1/20 (0,05)
	20/200	20/400
3	3/60	1/60 (finger counting at 1 metre)
	1/20 (0,05)	1/50 (0,02)
	20/400	5/300 (20/1200)
4	1/60 (finger counting at 1 metre)	Light perception

	1/50 (0,02)	
	5/300	
5	No light perception	
9	Undetermined or unspecified	

Table 1: Classification of severity of visual impairment recommended by the WHO (2011)

The three values in the respective lines in the ICD-10 table refer to the different notations that are used in different countries worldwide. (WHO, 2011)

2. Contrast vision
3. The field of vision
4. Colour vision
5. Movement vision
6. Stereoscopic vision

As mentioned above, of these six parameters mainly the visual acuity influences the ability to use public transport services and access the information provided. Therefore this is the delimiting variable in the projects presented by this article. To reach a clear delimitation between “normal” sighted and sight impaired as well as blind people it was decided to assign the range of a visual acuity from 0.5 to 0.05 (for the better eye) to the term “sight impaired” as it is used in the surveys.

Hearing impairment

While there is a large variety of factors influencing sight impairments, hearing impairment can be measured with one value only, namely the level of sound that can be heard or the auditory threshold of a person. While there are two main forms of hearing impairment, conductive and sensor neural hearing loss, both result in an increase of the hearing threshold level.

The measurement can be performed through several tests, with the “hearing distance”-test being one of the most common. According to guidelines the hearing distance is the distance in

which at least half of the words spoken by an examiner can be repeated correctly. Another test was designed by Boeninghaus and Röser (1973) where two tables are used, one for the distance in which whispered and normally spoken words are repeated correctly and one for an audiometric test. Those two values are combined to determine the level of acoustic impairment.

Method

To acquire better insight into the mobility behaviour and the needs shown by the sight and hearing impaired a qualitative short study was conducted by the Institute for Transport and Logistics Management of WU Vienna. The goal was to identify the main problems and supporting factors the two groups are facing while using public transport.

Several interviews were carried out based on a semi-structured interview guideline jointly developed with experts in the field of mobility and transport. The group of interviewed people included persons directly concerned, experts in the field of mobility, transport service providers as well as representatives of associations of sight or hearing impaired people.

With the results of the first desk research and the qualitative interviews it became clear, that further research had to be conducted. Project MoViH – “Mobility for the sight and hearing impaired in public transport” was initiated with the intention to establish a consortium with a broad knowledge base and research competence in the field of mobility and impairment. Eventually the funding was granted under the “ways2go” programme by the Austrian Research Promotion Agency. With the consortium of eleven partner organizations a very successful multiple stage research approach was realised. The first step included a refined larger scope desk research relating to

definitions of target groups, international knowledge bases, state-of-the-art research and benchmarks for successful solutions.

The combined needs, barriers and solutions for sight and hearing impaired were then used as the basis for workshops with experts. The remarks were made by all affected stakeholders, which means that besides representatives from sight and hearing impaired associations, members of technology and transport service providers could state their point of view. This holistic approach allowed for more integrated data processing.

Mobility behaviour

All reviewed literature and all expert interviews revealed that the basic needs for mobility of the sight and hearing impaired are the same as any normal passenger exhibits when using public transport. This means, that the need to reach a certain location without the use of individual transport is the prevalent motive. There are however certain extended needs that are mostly relevant to sight or hearing impaired persons.

Need	Description
General needs	
Self-determined mobility	It is of primary importance, that the sight and hearing impaired can access mobility services performing their daily tasks as if they had no impairment.
way to the workplace	
leisure activities	
visiting the doctors	
dealing with public authorities	
shopping	
Specific needs	
Sight impaired people	
More/stronger contrast	Persons with impaired sight often require stronger contrasts and bigger fonts to allow for access of the information displayed. Many impaired persons compensate for small writing through closer proximity to the displayed information. In addition sight impaired passengers are often prone to being blinded easier by reflecting surfaces .
Bigger and clearer fonts with no embellishment/serifs	
Reduction of blinding surfaces	
Minimization of reflecting surfaces	

Acoustic information and answers to actions	Generally sight impaired would profit from acoustic announcements and information when using public transport services.
Hearing impaired	
Clear audio output	Hard of hearing passengers are still able to understand spoken information, but they require clearly spoken announcements with a higher sound level.
Louder output	
Visual information and responses to actions	An increase in visually available information would be a great benefit for the hearing impaired. Especially in exceptional situations where acoustic information is often the only available medium, extended visual support could be useful.

Table 2: Needs of the sight and hearing impaired when using public transport services

As can be seen in Table 2, the main needs for sight and hearing impaired are closely tied to the respective impairment. It might seem quite obvious, that persons with decreased visual ability need clearer and bigger fonts and more contrast, but many decision makers are unaware of even these basic facts. As a fringe benefit, solutions to these extended requirements often increase the usability of public transport systems for non-impaired passengers as well.

Barriers to sight and hearing impaired in public transport

Four specific areas could be in which sight and hearing impaired passengers exhibit special barriers. Those were “stations and stops”,

“vehicles”, “other/general mobility problems” and “public awareness” and will be illustrated in the following tables.

Barriers in stations/stops

The main point where problems and barriers for sight and hearing impaired exist are the stations and stops of public transport systems. Not only the entry areas for vehicles, but also the transfer and waiting areas have to be taken into consideration. Quite problematic are breaks in the use of guidance systems between the different areas of stations especially when there are two or more modes of transport at the same station that are probably even operated by different service providers.

Barrier	Description
Sight impaired	

<p>Ticket machines</p>	<p>The amount and complexity of the options (special rates in submenus) and the not always clear user guidance lead to confusing and problematic situations.</p> <p>Further problems exist in the missing acoustic output options and blinding through too intense displays.</p>
<p>Legibility of maps, timetables, etc.</p>	<p>The small font size and the corresponding difficult column and row tracking is problematic here especially with large plans. Another problematic factor are large distances between the displayed information and the user that limit the possibility to take a close look.</p>
<p>Electronic displays</p>	<p>When positioned behind glass screens blinding and reflection occurs on a regular basis and the surface limits the possibility to decrease the distance. LED-Displays are seen as problematic due to their "dotty" or slim presentation of texts.</p>
<p>Guidance Systems</p>	<p>At stations missing or badly contrasted (gray on gray) guidance systems present a problem. In addition these systems sometimes lead to nowhere (ending without an orientation object nearby) or directly into pillars and other barriers blocking the way of the impaired. Further the systems are often discontinued in entry areas. Missing directional information often leads the impaired astray.</p>
<p>Station signposting</p>	<p>The signposts at stations are often too small, too high or badly contrasted to be easily legible. As a result of the overhead mounting, blinding is an ever present problem.</p>
<p>Multiple vehicle stations</p>	<p>It is generally hard for sight impaired to ascertain the entry area for their desired line. This is especially problematic when the vehicles of different lines are placed in close proximity to one another or entering the station on the same track.</p>

Glass surfaces	The most dangerous aspect here are untagged irresolvable surfaces, that often lead to accidents with severe injuries. Reflexions and blinding are a common barrier for sight impaired travellers. These light distractions often lead to the impaired missing. Another important barrier for sight impaired is the identification of the opening of sliding doors in glass facades that are not specifically marked.
Hearing impaired	
Announcements	Often the sound level of announcements is beneath the perception level of hearing impaired and is not adjusted to the surrounding noise level. Additionally random noise and very fast or accented spoken announcements make the recognition of the content difficult. The missing possibility of an individual repetition and the inability of the hearing impaired to decrease the distance to the speaker are major problems.
Guidance Systems	Most guidance systems do not support acoustic output which means, that the hearing impaired has to solely rely on his sight.
Ticket machines	Missing or badly implemented acoustic output sometimes prevents hearing impaired from choosing the correct options (special rates) on ticketing machines.
Ticket counters	Due to the thick glass walls between the employee and the customer most acoustic information are heavily dampened and therefore hardly audible for hearing impaired.
Both	
Stations in rural areas	In rural areas a signposting that is equivalent to metropolitan areas is often missing. It is harder for impaired passengers to identify the correct lines, departure and arrival times and other important information. Additionally there are often no acoustic announcements. During winter the clearing of snow is sometimes performed very rudimentarily endangering impaired even more.
Entering and leaving vehicles	While entering or leaving a vehicle impaired often take longer than others which sometimes leads to the staff or passengers showing rude behaviour towards them. Additionally it is sometimes hard to identify the correct entry areas and self-positioning in relation to the vehicle.

Elevators	Elevators are measures mainly implemented for mobility restricted persons. However sight and hearing impaireds needs are often neglected as there are no contrasts within the cabin and no acoustic or visual information given to the users. Hearing impaired suffer additionally in emergency cases were only acoustic interaction is possible due to not being able to communicate with the operator. Another disturbing factor are missing indications on which side to leave the cabin.
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Table 3: Identified barriers to sight and hearing impaired in stations and stops

Barriers in vehicles

for sight and hearing impaired. Although there is a wide variety in the employed types of vehicles there are certain commonalities that all of them share.

Vehicles are the second most important factor in determining the ease of a public transport system

Barrier	Description
Seeing impaired	
Ticket machines	A frequent problem is finding the ticketing machine, if any, as they are sometimes located anywhere in the vehicle. Oftentimes there are problems to find the correct option, especially when trying to buy reduced fare tickets. In addition no or very silent acoustic output is provided. Out-of-order machines are another problem here. Mostly there is no possibility to digitally enhance images as most machines operate without electronic displays. Those vehicles already equipped with electronic ticketing machines are often suited to the needs of wheelchair travellers and therefore very inconvenient in the use for sight impaired who need close proximity to the displayed information. Additionally these ticketing machines are often in full sunlight and therefore prone to reflections and blinding.
Legibility of maps, timetables, etc.	The main problem here is the small and often washed out text with low contrasts. The overhead mounting is problematic as inclining light might easily cause blinding and the distance often does not allow for direct access to the respective plans.

Electronic displays	Due to overhead mounting there is a high possibility of reflection or blinding making the displayed information unreadable. Depending on the used version small screens or "dotty" writing complicate the comprehension of the text or graphics.
Distance between vehicle and walkway	Gaps with a low contrast between vehicle and sidewalk-edge increase the chance of falls immensely. The same is true for height differences and stairs within the vehicle.
Doors	It is often quite hard for sight impaired passengers to find the buttons or levers to open a door and to find out whether the door is even working as there are seldom acoustic and visual feedbacks. In some cases it is completely unclear or badly indicated which side one should disengage the vehicle.
Seat markings	Especially on planes and trains the tiny markings for the seat numbers are hardly legible, leading to the impaired blocking the aisle when finding out which seat belongs to them or whether the desired seat is reserved.
Hearing impaired	
Quality of announcements	Spoken announcements are often too fast, inaudible, overlaid by random noise or spoken in a local colour that makes understanding them very difficult. In addition there is often no visual indication that there will be a spoken announcement. This leads to highly problematic situations due to the impaired not knowing what is happening.
Doors	Especially in noisy environments the acoustic feedbacks from buttons can be easily missed and if there is no visual feedback, the hearing impaired is unaware whether the door will open or not.
Both	
Missing announcements	Missing announcements are problematic, as the impaired are often unable to distinguish the station the vehicle is entering and therefore whether they already reached their destination.
Automation	Through the increased use of automated systems there is often no staff an impaired could talk to about problems.

Table 4: Identified barriers to sight and hearing impaired in vehicles

Offsite barriers and general barriers

Just as “normal” passengers, sight and hearing impaired need to reach the entry areas and therefore face problems getting to the stations.

These barriers mainly relate to signposting on roads and constructional obstacles that are badly contrasted to their surroundings as well as glass surfaces. The table illustrates barriers and explains the main facts on them.

Barrier	Description
Road signs	To allow easier recognition of road and traffic signs by car drivers, the height is sometimes lowered. This is problematic for sight impaired persons, as they normally have to look for obstacles below their headroom. Taking into account the sharp edges on metal signs the chance of severe injuries is dramatically increased..
Bollards	Many obstacles for sight impaired are below their eye level. Here it is problematic, that often the contrasts on pavement objects is very low (gray paint in front of gray concrete). Furthermore the mounting is often suboptimal, as the impaired only recognizes the barrier once he runs into it.
Hydrants	
Advertising pillars	
Green spaces	
Cordons	
other pavement obstacles	
Construction site security	Construction site fences and board barriers are sometimes missing or not fixed enough to prevent the impaired from entering the site. With the rough mesh structure, these fences are also easily missed.
Weather conditions	Contrast colours are often not meant to be used with other background colours such as white after snowfalls. Furthermore during loud weather conditions most acoustic announcements are hardly audible.
Railroad crossings without gates	Due to missing light signals or acoustic signals impaired drivers and pedestrians are hardly able to identify whether a train is approaching.

Glass surfaces	Reflections of sunlight and blinding through glass surfaces might render otherwise good guidance systems totally useless. In addition information boards and displays behind glass surfaces are sometimes problematic as lighting might cause reflections and increases the distance to the displayed information. As in stations, untagged glass surfaces pose a threat to especially sight impaired.
Vandalism	Graffiti on traffic signs, vehicles and plans reduce the general legibility and usability. Furthermore by removing site fences or other warning objects the chance for accidents is increased. Impaired are often unable to accommodate for these destructive actions and are therefore severely hindered in their mobility.

Table 5: Identified offsite barriers to sight and hearing impaired as well as general barriers

Lack of awareness

Apart from barriers existing in material/constructional form, there are obstacles existing due to the attitude persons show

towards sight and hearing impaired. Although one should assume, that impaired persons are treated specifically friendly and courteously often the opposite is true.

Another problematic factor is the absence of specially focused courses for future and current engineers, architects as well as transport and tourism managers, who sometimes would like to extend their knowledge of impaired groups.

Barrier	Description
Missing specifically trained personnel	Often there is no special training for the staff of public transport companies and therefore the personnel is unaware of special needs shown by the sight or hearing impaired. Furthermore requests by those groups are often met with incomprehension or the staff member is unable or unwilling to provide a solution.
General Awareness	There is general unawareness of the special needs and barriers the sight and hearing impaired are facing. Furthermore fellow passengers in public transport services often show very little to no understanding for impaired and their special needs.

Corporate Designs	Not always are the corporate design colours highly contrasted. As these colour schemes are then painted onto the vehicles and stations of the respective companies, sight impaired suffer from very weak contrasts.
Architecture	Already at the educational level a focus on the needs and barriers for impaired should be put in certain disciplines to increase the awareness. Furthermore sight and hearing impairment should be integrated in the development of specific guidelines and standards for the respective disciplines.
Vehicle construction	
Engineering	
Transport Management	
Business Administration (Personnel, Marketing, etc.)	

Table 6: Identified awareness related barriers to sight and hearing impaired

Possible solutions

Several adequate measures that are already implemented could be identified. Those solutions were subdivided into two categories, one being “individual solutions” and the other being “solutions by service providers”.

“Individual solutions” are meant for the use by only one person and have to be specifically calibrated to optimally satisfy the needs of the user. Although the individual passenger has to care for the optimal calibration of his devices, the transport companies can support their use through implementing corresponding solutions.

Solution	Description
Magnifiers and amplification glasses	. These contrivances have to be specifically adjusted for the user and his individual needs and are normally solely used by this single person.
Glasses (Light protection, edge filter, polarisation)	
Monoculars and binoculars	
Handheld scanning devices	
Hearing aides	
Cochlear implants	

Table 7: Individual solutions for seeing and hearing impaired

“Solutions by service providers” on the other side represent more general focused devices or approaches that target not only one single

passenger but the groups of the sight and hearing impaired as a whole. Even though some of these solutions might present the organizations with steep up-front costs, most are quite cheap in their implementation and last for very long times of use.

Solution	Description
Electronic displays with appropriate size, mounted at the height of the head or a little below	The devices that allow normal sighted and hearing persons to effectively use public transport services are the same that allow impaired this use. For the handicapped, however, there are certain special conditions that have to be met. (see Table 2)
High-contrast designs	
Bulletins and plans	
Guidance system (visual)	
Speaker announcements	
Magnetic induction loops	
Signal tones for improved attention	
Innovative Solutions (NFC-Phones, RFID-Reader, ...)	
Notify before announcements through signals	
Raising awareness: Coaching for personnel and decision makers	Personnel and decision makers within the company experience on a first hand basis the situation of impaired persons. With this knowledge the awareness for the needs and the barriers sight or hearing impaired are facing is raised dramatically and solution development is fostered.
Acceptance of handicapped ID cards	Most governments and some transport companies issue special handicapped ID cards. When leaving the country or the boundaries of the respective transport company most IDs or bonus cards become void. It would therefore be of high importance to find a solution on international levels.

Table 8: Solutions provided by transport companies

Consequences for the tourism industry

The consequences that can be drawn for the tourism industry are manifold, and can be divided into three categories. First the pre-travel stage, second the trip to the destination and finally the destination itself.

In the pre-travel stage it is important for sight and hearing impaired persons to get precise information about the facilities of the location. The easiest way is by searching the internet for the respective hotels, cities and areas and most tourism oriented regions already provide a vast range of information material for any traveller, impaired or not.

During the trip to the chosen destination, it is important for the impaired to travel with as little barriers as possible. Obstacles that cannot be easily overcome alone are the main reason why especially sight impaired often travel in groups, as the chance to circumvent barriers is higher the more persons there are.

Eventually at the desired destination, the public transport services need to provide characteristics that allow the sight and hearing impaired to travel as easy as possible. Therefore information boxes and plans in multiple languages and simple yet easily understandable guidance systems are of high value to tourists with impairments.

Again it cannot be stressed enough, that the sight and hearing impaired represent a large and currently under targeted group in the sector of tourism. Especially as their economic situation is at least at par with that of "normal" persons and therefore presents the tourism industry with a huge growth potential. The only necessity is to follow the principles of "Accessibility4all" and "Design4all".

Conclusion

This article sheds light on two currently underrepresented groups in everyday mobility, the sight and hearing impaired, their needs when using public transport services, the barriers they encounter and possible solutions on an individual as well as on a company level.

The interviews and current research have shown that in the past little has been done to improve the situation for sight and hearing impaired when using public transport. However, there has been some improvement through public service providers and authorities with extended guidelines and policies.

The sight and hearing impaired constitute two large groups that have not been targeted as of

yet. Therefore the economic potential these groups represent is largely untouched by transport service providers. With little investment this potential could be used to drastically increase their revenue situation and customer base.

On behalf of representatives of the persons concerned the most fundamental claim was an increase in awareness towards the sight and hearing impaired. A second important request was a unified approach towards guidance systems to increase utility for the impaired.

Transport company as well as technology suppliers representatives strongly asked for common guidelines which they could adopt. Secondly it was stated, that due to the various associations for impaired and their often different focus it is hard to establish some common ground when discussing the introduction of new support systems. A clearing or intermediary station was asked for in order to match the information's and requirements from various parties.

Combining the requirements of all these groups it can be concluded, that measures have to be taken, but that they should be coordinated between all stakeholders and that the political system has to implement lasting guidelines along which solutions can be developed. In addition researchers of various disciplines are needed to establish some common ground regarding the needs, barriers and measures on an international basis to ease the development of guidelines and solutions for the sight and hearing impaired.

As can be seen, there is still a vast amount of work to be done in the field of mobility of the sight and hearing impaired, specifically the influences on different business sectors are yet to be determined.

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EVALUATING THE STATUS OF UNESCO WORLD HERITAGE SITES IN EGYPT

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Abstract

The UNESCO seeks to encourage the identification and preservation of cultural and natural heritage around the world considered to be of outstanding value to humanity; where its World Heritage Center provided a World Heritage List.

The event that aroused particular international concern was the decision to build the Aswan Dam in Egypt, which would have flooded the valley containing the Abu Simbel temples.

Despite Egypt's ancient civilization and natural and cultural heritage treasure, only seven historical sites have been listed in the UNESCO World Heritage List and only one of them is listed in the List of World Heritage in Danger.

This study is using the descriptive evaluative method, aiming to explore the status of Egypt's heritage sites regarding the "World Heritage Sites"; particularly those in Danger and to discuss the importance of including heritage sites within the "World Heritage List".

Study findings conclude the necessity of making a regional survey in Egypt due to the lack of strong data base that lists all heritage sites and particularly those in Danger in order to include them in the World Heritage List for preservation and as part of the country's sustainable tourism strategy.

Keywords: UNESCO World Heritage List, cultural and heritage sites, sustainable tourism, Egypt.

Introduction

World Heritage is a fragile non-renewable resource which has to be safeguarded both to maintain its authenticity and to preserve it for further generations (Shackley1998). It is an inheritance of a nation, an ethnic group, and more broadly, of all human beings. However, many heritage sites around the world which preserve mankind's history have been demolished due to a variety of factors such as war, natural disaster, overuse, and weather (Kima, Wongb & Choa, 2007).

The relationship between heritage and tourism is well documented and it is generally assumed that culture and tourism are interdependent. The growing interest in cultural resources opens new perspectives for the economy in culturally rich destinations which in turn provide the tourism industry with challenges of managing heritage facilities and attractions, and for public agencies (Ladkin & Fletcher, 2005).

The tourism/heritage relationship includes several challenges. The most important of all is the need to find the balance between conservation and the use of heritage sites for tourism (Ladkin & Fletcher, 2005).

Heritage tourism is an expanding market that assumes the values of a desirable product and thus whose importance for tourism development cannot be ignored. While this provides economic opportunities for many culture-rich destinations, it may also represent a threat in terms of the potential degradation of a heritage and thus depriving a community of such resources and the benefits of tourism (Ladkin & Fletcher, 2005).

Therefore, the United Nations Educational, Scientific and Cultural Organization (UNESCO) has established a “Convention concerning the protection of the World Cultural and Natural Heritage” in 1972 to encourage the identification, protection and preservation of cultural and natural heritage around the world considered to be of outstanding value to humanity (Kima, Wongb & Choa, 2007)

In addition, a range of charters, criteria, manuals, guidelines and handbooks were developed, including those produced by the World Heritage Centre (WHC), United Nations World Tourism Organization (UNWTO), United Nations Foundation (UNF), Nordic World Heritage Foundation (NWHF), United Nations Environment Programme (UNEP), as well as the Advisory Bodies to the World Heritage Convention: the International Centre for the Study of the Preservation and Restoration of Cultural Property (ICCROM), International Council on Monuments and Sites (ICOMOS) and International Union for Conservation of Nature (IUCN). The proposed Principles for Sustainable Tourism at World Heritage Properties synthesize these past efforts to provide a cooperation framework among all interest groups in regard to World Heritage.

The designation of an area, an object, an architectural artifact or monument as a World Cultural Heritage site often leads to an increase in the number of visitors, enhancement of the recognition of the site and financial support through subsidies from the government or setting (Kima, Wongb & Choa, 2007). For example, when the Convention was signed, annual international arrivals worldwide totaled about 180 million. Now this five times that volume of traffic moves around the globe, and that is only a fraction compare with domestic tourism (WORLD Heritage Magazin 2010). Therefore, more and more arises the need for a certain management framework and allowing access to conservation funding.

Research Aim

To highlight the importance of UNESCO WHL for conserving cultural and heritage sites

To highlight the importance of cultural tourism to the Egyptian Economy

To explore the need for Egyptian heritage and cultural sites to be listed the WHL and WHL in Danger

Two archeological examples worthy to be added to WHL in Danger will be discussed; one in Lower Egypt “Alexandria” and the other in Upper Egypt “Esna”;

To put recommendations to implement the results of the study by governmental bodies.

Research Methodology

This research was conducted with the descriptive-evaluative method. This method is usually used to observe an object condition of a system and is considered useful when making predictions and implementations.

This method was used to explore the status of Egypt’s heritage sites regarding the “World Heritage Sites”; particularly those in Danger and to discuss the importance of including heritage sites within the “World Heritage List”.

As the cultural and heritage treasures of Egypt are uncountable, it was not possible to name all of them that need to be added to the WHL and WHL in Danger.

Therefore, the study focused on two touristic examples in Egypt rich with their cultural and heritage sites one in Lower Egypt, namely, the city of Alexandria and the other in Upper Egypt, namely, the city of Esna.

World Heritage List

The event that began this international concern was the decision to build the Aswan High Dam in Egypt, which would have flooded the valley containing the “Abu Simbel temples”, a treasure of ancient Egyptian civilization. In 1959, after an appeal from the governments of Egypt and Sudan, UNESCO launched an international safeguarding campaign. Archaeological research in the areas to be flooded was accelerated. Above all, the Abu Simbel and Philae temples were dismantled moved to dry ground and reassembled (<http://whc.unesco.org>).

The 1972 UNESCO World Heritage Convention currently has 151 *States Parties*. As of June 2010, 187 *States Parties* have ratified *the World Heritage Convention*. The World Heritage List includes 911 properties forming part of the cultural and natural heritage which the *World Heritage Committee* considers as having outstanding universal value. These include 704 cultural, 180 natural and 27 mixed properties*. The purpose of the Convention is to ensure the identification, protection, conservation, presentation and transmission to future generations of the cultural and natural heritage of 'outstanding universal value'

UNESCO's World Heritage mission is to:

encourage countries to sign the World Heritage Convention and to ensure the protection of their natural and cultural heritage;

encourage States Parties to the Convention to nominate sites within their national territory for inclusion on the World Heritage List;

encourage States Parties to establish management plans and set up reporting systems on the state of conservation of their World Heritage sites;

help States Parties safeguard World Heritage properties by providing technical assistance and professional training;

provide emergency assistance for World Heritage sites in immediate danger;

support States Parties' public awareness-building activities for World Heritage conservation;

encourage participation of the local population in the preservation of their cultural and natural heritage;

encourage international cooperation in the conservation of our world's cultural and natural heritage.

According to Shackley (1998), the World Heritage List (WHL) is the modern equivalent of the Seven Wonders of the World; a series of sites monuments, landscapes and buildings each of which has, in some way, made a unique contribution to human history.

*Symbols used by the UNESCO World Heritage List to identify the type of the World Heritage Site

The term "World Heritage List" reflects and is recognized as something very special that any tourist would have a great need to see. The List does not only contain universally recognized and famous sites, like the Pyramids or the Great Wall of China, but also less known ones but with extraordinary cultural values. The fact that any site is on that list guarantees that visitor numbers will increase.

The World Heritage designation list includes three forms of assets: cultural assets having historically significant value, natural assets cherishing history of the earth, and a mixture of the two assets. In particular, World Cultural Heritage designation can be further distinguished into three more specific forms, namely, archaeological monuments and works of man such as sculptures or paintings; architectural buildings; the combined works of nature and man (Kima, Wongb & Choa, 2007).

The original purpose of the WHL was to provide a mechanism that protects valuable cultural sites from natural erosion as well as human mistreat especially with the consequent increasing numbers of visitors. Tourism's unanticipated growth confronts World Heritage sites with both opportunity and stress.

There is also the "World Heritage List in Danger" that contains all heritage sites facing great risk and need emergency UNESCO funding in order to be saved

Nomination process

Only countries that have signed the World Heritage Convention, pledging to protect their natural and cultural heritage, can submit nomination proposals for properties on their territory to be considered for inclusion in UNESCO's World Heritage List. There are several steps that have to be taken in order to be nominated on the WHL (<http://whc.unesco.org/en/nominations>)

The first step a country must take is to make an 'inventory' of its important natural and cultural

heritage sites located within its boundaries. This 'inventory' is known as the **Tentative List**, and provides a forecast of the properties that a State Party may decide to submit for inscription in the next five to ten years and which may be updated at any time. It is an important step since the World Heritage Committee cannot consider a nomination for inscription on the World Heritage List unless the property has already been included on the State Party's Tentative List.

Following that, a State Party can plan when to present a nomination file. The World Heritage Centre offers advice and assistance to the State Party in preparing this file, which needs to be as exhaustive as possible, making sure the necessary documentation and maps are included. The nomination is submitted to the World Heritage Centre for review and to check it is complete. Once a **nomination file** is complete the World Heritage Centre sends it to the appropriate Advisory Bodies for evaluation.

A nominated property is independently evaluated by two **Advisory Bodies** mandated by the World Heritage Convention: the International Council on Monuments and Sites (ICOMOS) and the World Conservation Union (IUCN), which respectively provide the World Heritage Committee with evaluations of the cultural and natural sites nominated. The third Advisory Body is the International Centre for the Study of the Preservation and Restoration of Cultural Property (ICCROM), an intergovernmental organization which provides the Committee with expert advice on conservation of cultural sites, as well as on training activities.

Once a site has been nominated and evaluated, it is up to the intergovernmental **World Heritage Committee** to make the final decision on its inscription. Once a year, the Committee meets to decide which sites will be inscribed on the World Heritage List. It can also defer its decision and request further information on sites from the

States Parties.

To be included on the World Heritage List, sites must be of outstanding universal value and meet at least one out of ten selection **criteria**. These criteria are explained in the *Operational Guidelines for the Implementation of the World Heritage Convention* which, besides the text of the Convention, is the main working tool on World Heritage. The criteria are regularly revised by the Committee to reflect the evolution of the World Heritage concept itself.

Once a site is inscribed on the list, it is periodically inspected and the World Heritage Designation can be withdrawn if the management criteria are not being met (Shackley, 1998)

Overview on touristic Egypt

Egypt has always been a popular destination of tourism worldwide; for people in the Middle East, Africa and Europe from ancient times. Beginning in the early 19th century — with [Napoleon's invasion of Egypt](#) — interest in [Egyptology](#) surged and this fascination laid the foundations for the modern tourism industry in the country.

Egypt is not only the pyramids that make this country a major tourism spot beside of this Egypt has numerous temples and monuments that are among the ancient remains of the great Egyptian civilization.

Tourism is vital for any country's progress and it covers many elements like transportation, accommodation and the hospitality industry of a country beside of its tourist attractions. Tourism in Egypt remains one of the most important sectors in [it's economy](#) with about 25% contribution of total country's income (<http://www.asiarooms.com/en/travel-guide>; http://en.wikipedia.org/wiki/Tourism_in_Egypt).

It is one of the major sources of hard currency, and an effective factor in economic and social development.

In 2000, there were about 5.5 million foreign tourist arrivals, with over 3.8 million from Europe, and receipts totaled more than \$4.3 billion. In that year there were 113,611 rooms in hotels and 227,222 beds with a 73% occupancy rate. In 2002, the US government estimated the average daily cost of staying in Cairo to be about \$167, around the same as other major cities in Egypt. More than 12.8 million tourists visited Egypt in 2008, providing revenues of nearly 11\$ billion. The sector employs about 12 percent of Egypt's workforce. Tourism in Egypt was a \$11.6bn (£7.3bn) industry in 2009

The number of leisure tourists was the highest in 2007 with 10365999 from a total number of 11090863; also in 2008 with 12012774 from a total of 12835351 visitors and in 2009 there were 11639532 leisure visitors from 12535885 (Tourism in Figures, 2009). Most leisure travelers visit Egypt to enjoy its cultural and heritage treasures

Overview on Heritage and Cultural Egypt

One of the very few civilizations with a long, continuous and fascinating history is that of Egypt. From the relics of prehistory and the wonders of Ancient Egypt to the brilliant civilization of the medieval period, a wealth of art and architecture, which constitutes a sizable portion of the world's heritage, is located in Egypt (<http://www.egyptcd.com/History&Archeology.html>).

Egypt has been crossed and re-crossed by migratory people since the dawn of time. However, the earliest signs of human habitation in the Nile Valley date from about 250,000 B.C. A number of settlements from the period of c. 5000 B.C. have been found along the Nile valley and in Sinai. At some time during the next 2000 years, it appears that Egypt developed into two main kingdoms of Upper and Lower Egypt. Narmer (Menes), the king of Upper Egypt, conquered Lower Egypt c. 3100 B.C. and united the country. This event brought in the era of the pharaohs, and Egypt developed one of the greatest, and most long-lived, civilizations in the history of the world. For 3000 years, the pharaohs built great monuments and recorded their great deeds on the walls of magnificent

temples and in tombs that were designed to last for eternity.

In 332 B.C., Egypt was conquered by Alexander the Great, who founded the city of Alexandria to be his capital, thus ushering in an era of brilliant achievements in science, literature and philosophy. Alexander's successors, the Ptolemies, ruled until Cleopatra VII was defeated by the Romans in 30 B.C. Roman, and later Byzantine, Egypt became the most important source of food in the Mediterranean. Christianity replaced earlier pagan beliefs, but the populace suffered under heavy taxation and the leadership was too far away to protect the country. Despite persecution by the Romans, many churches were built as early as the fourth century and hermits giving up comfort laid the foundation for the great monasteries many of which are occupied to this day.

In the seventh century the Prophet Muhammad introduced Islam and in A.D. 639, Amr Ibn al-'As came to Egypt and built a new capital, Fustat, outside the Roman fort of Babylon at the apex of the Nile Delta. The country was ruled by governors appointed by the caliphate until it achieved independence in 1171 under the first Ayyubid ruler, Salah al-Din al-Ayyubi, known in the west as Saladin. At the end of the Ayyubid period, the throne was taken by a series of Mamluks (slaves), who were at first Turks and later Circassians. They, in their turn, were conquered, in 1516, by the Ottomans and Egypt once again became the dependency of a great empire. Throughout this long period in Egypt's history the sultans and their emirs built ceaselessly and left Cairo with an unparalleled legacy of beautiful mosques, schools castles and other outstanding buildings.

In 1805 Muhammad Ali Pasha (Albanian soldier) ruled Egypt for more than forty years and introduced modern Egypt

Consequently, this rich history of Pharaonic, Greco-Roman, Coptic as well as Islamic Egypt has left uncountable heritage and cultural treasures that need to be conserved and managed well to insure its sustainability for future generations.

The Status of World Heritage Site in Egypt

A previously mentioned, Egypt's cultural and heritage treasures are uncountable. And although the event that arouse this international concern of heritage sites had been the rescuing of "Temple of Abou Simbel and Philea" in Egypt, only seven historical sites have been listed in the UNESCO World Heritage List and only one of them is listed in the List of World Heritage in Danger. These Sites are as follows:

[Ancient Thebes with its Necropolis](#) (1979)*,

[Historic Cairo](#) (1979)

[Memphis and its Necropolis – the Pyramid Fields from Giza to Dahshur](#) (1979)

[Nubian Monuments from Abu Simbel to Philae](#) (1979)

[Saint Catherine Area](#) (2002)

There is only one Site on the World Heritage List in Danger, namely Abou Mena (1979) and only one Natural Site on the list; Wadi Al-Hitan (Whale Valley)(2005).

* the year it was added to the list

However, researches conducted via satellites have confirmed the existence of 132 archaeological sites in Egypt that witnessed no excavations. Therefore, Egypt has recently issued a number of laws seeking to stop the illegal digging in areas likely to contain the buried monuments (Washington, 2010).

By interviewing Dr. Richard R. Parizek, who is part of the Penn State Geoarcheological Mission working at the Temple-Town Site near Edfu, ancient "Fort" nearby in Wadi Abu Sufian, Aswan Obelisk Quarry, Valley of Kings and Abydos, he stated the following: "These are all extremely important antiquity sites. Unfortunately, all sites are experiencing damage by rising water levels and salt accumulation"

There are a lot of sites which are under danger like the temple of Edfu. Although Spanish Mission working at the Temple of Horus at Edfu, are trying to find solutions to this problem by

using the latest technology to combat the rise in the water table that is threatening to undermine the temple. One solution may be to dig a trench around the temple and fill it with gravel to drain the area and then use hydrological sensors to monitor the level of water (<http://www.e-c-h-o.org/News/LatestNews5.htm>)

As Egypt's population grows (if the annual 1.78% growth rate is maintained the population will double to 120 m by 2050), agricultural land moves closer and closer to ancient temples and funeral monuments. Water for irrigation is weakening temple foundations and eroding the carvings. The limestone temples absorb groundwater, which is wicked up by capillary action into the permeable foundations. Through the actions of heat this water evaporates, depositing salt crystals and oils that degrade the surface of the stone of the buildings. The crystallization of these salts in the pores of the stone, combined with the changing day and night time temperatures causing it to expand, result in eventually cracking and flaking off the reliefs and paintings on the surface. In addition, Stagnant water around the columns also fosters the growth of bacteria and fungi. The extension of farming practices into the desert is affecting sites and monuments the length and breadth of Egypt. Nigel Hetherington from the Theban Mapping Project commented that "when the towering rock face statues of Abu Simbel in southern Egypt were under threat from flooding during the construction of the Aswan dam in the 1960s, an international rescue effort led by UNESCO relocated the statues block by block. The gradual erosion of monuments over a number of years, however, is not dramatic enough to capture international attention. The problem is that it's not a sexy enough topic. When Abu Simbel was going to be flooded, it made a real impact. People could see the size of the lake and that the temples were going to disappear, but this is such a slow process." (<http://www.e-c-h-o.org/News/LatestNews5.htm>)

At the site of Hierakonpolis (Kom el-Ahmar), one of Egypt's most important Predynastic sites and earliest capitals in Egypt's history dating back to 3,600 BC, farmers encroach more and more on the antiquities land. Therefore, a rescue archaeology of the most threatened parts of the site should soon be conducted. The part of the

site where one of Egypt's most famous early monuments was found, the Narmer Palette, is now in serious danger of being totally destroyed due to the action of farmers. (<http://www.e-c-h-o.org/News/LatestNews5.htm>)

This is the case in other sites as well, for example, Abu Sir and the Predynastic Nile Delta site of Kafr Hassan Dawood, Akmim and in middle Egypt the tombs of Mo'alla, el Kab and the ancient city of Bubastis (Tell Basta) have systematically been destroyed. In Siwa, the Shali fortress which was built in XII century on a hill at Oasis in order to protect it from the Arabs tribes from the desert is now incredible succession of ruins and its isolated wall is near to collapse.

Concerned archaeologists called today on Egypt's Prime Minister Essam Sharaf to return police to archaeological sites. The move is required to put an end to illegal excavations and wild looting of storehouses and tombs. "The desecration of archaeological sites and monuments is not only a huge loss for the people of Egypt on a national, economic, and human level, but is also a loss to all of humanity and to science," Tarek El Awadi, director of the National Egyptian museum, said in an open letter to Sharaf. He added also that: "In the past few weeks, looters have removed inscribed blocks from tombs at Saqqara, Giza and Abusir, and even tried to cut into pieces a colossal red granite statue of the 19th Dynasty king Ramesses II at the southern quarry of Aswan. One of the biggest losses is the tomb of the royal scribe Ken Amun in Tell el-Maskhuta, near Ismailia. Dating to the 19th Dynasty B.C (1315-1201 B.C.), the burial is the first ever Ramesside-period tomb uncovered in Lower Egypt., The burial, discovered last year featured beautifully decorated walls which are now a lost memory. Sadly, the site has been completely destroyed. (<http://news.discovery.com/archaeology/egypts-archaeological-sites-stand-unguarded->)

Consequently, the necessity to nominate all these heritage and cultural Egyptian treasures on the UNESCO World Heritage Sites arises strongly.

As previously mentioned, the first step for nomination is that sites would be submitted on the Tentative List. Many Egyptian Sites are

submitted only lately (1994-2010) on the Tentative List. However, many of these Sites are in great danger and should be nominated on the World Heritage List in Danger as soon as possible in order to save them from natural and human threats they are facing.

Properties submitted on the Tentative List

Siwa archaeological area (1994)

Temple of Serabit Khadem (#) (1994)

North Sinai archaeological Sites Zone (1994)

Temple of Hator built by Ramses III (1994)

Dahshour archaeological area (1994)

El Fayoum: Kom Aushim (Karanis), Dimai (Soknopaiounesos), Qasr Qarun (Dionysias), Batn I hrit (Theadelphia), Byahma-Medinet el Fayoum..... (1994)

El-Gendi Fortress (1994)

Rutho Monastery (1994)

Wadi Feiran (1994)

Pharaon Island (1994)

Dahab (1994)

Minia (#) (1994)

Newibah castle (1994)

Ras Mohammed (2002)

Gebel Qatrani Area, Lake Qaroun Nature Reserve (2003)

Southern and Smaller Oases, the Western Desert (2003)

Bird Migration Routes (2003)

Desert Wadis (2003)

Mountain Chains (2003)

Great Desert Landscapes (2003)

Alexandria, ancient remains and the new library (2003)

Abydos, city of pilgrimage of the Pharaohs (2003)

Pharaonic temples in Upper Egypt from the Ptolemaic and Roman periods (2003)

Necropolises of Middle Egypt, from the Middle Empire to the Roman period (2003)

Raoudha nilometre in Cairo (2003)

The monasteries of the Arab Desert and Wadi Natrun (2003)

Two citadels in Sinai from the Saladin period (Al-Gundi and Phataoh's island) (2003)

The An-Nakhl fortress, a stage on the pilgrimage route to Mecca (2003)

Oasis of Fayoum, hydraulic remains and ancient cultural landscapes (2003)

Historic quarters and monuments of Rosetta/Rachid (2003)

Dababiya (2008)

Helwan Observatory (2010)

Examples worthy to be added to UNESCO World Heritage List in Danger

Alexandria (located Lower Egypt)

The city of Alexandria was built in 332 B.C. by "Alexander the Great", after the destroying of Tyros as Greek city. This city was built at an older town Rhakotis (ra-qdw, the wall building). In this city Alexander the great was buried, whose tomb till nowadays has not been found and is still searched for.

Alexandria's monumental tombs embody the most articulate testimony to this vanished glory. They provide material evidence for the innovative and iconoclastic spirit transfusing this ancient center (Marjorie, 2002).

Nineteenth century adventurers and travelers visited Cleopatra's Needles and the cistern (still in situ and recently some of which was

discovered), Pompey's pillar and the Catacombs. (Marjorie, 2002)

The museum's founder and first director was Giuseppe Botti, who had come to Alexandria in 1884 as the head of the Italian School. The museum was inaugurated in 1895. At the beginning it included 10 rooms but gradually added other galleries till it reached its final state in 1904. The museum was closed for several years, once for restoration and then part of the ceiling collapsed. Since then the museum is closed, although it's a monument worth to be restored and kept as heritage. Some of main items were removed to the National Museum in Alexandria.

The earliest cemetery was established to the east of the city in the quarter of Chatby from there it expanded eastward along the coast to Ibrahimia and inland toward Hadara with isolated tombs constructed further east at Sidi Gaber and Mustafa Kamel. The eastern cemetery is earlier than western one. Roman burials are merely found in the eastern while the Ptolemaic are found isolated in the western cemetery. (Marjorie, (2002); Journal of American Research Center in Egypt (JEA),(1988). Marjorie (2002) stated the following: "more than two millennia of a rising water table, looting and vandalism have robbed us of Alexander's body, this tomb and those of Egypt's Ptolemaic rulers. These losses are probably uncoverable and cannot be overstated". Consequently, the rest of the tombs left like the Catacomb of Shukafa, which have been suffering from underground water several years and color fading, should be rescued immediately. The earliest recorded monumental tombs, called Hypogeum, are located in the eastern necropolis in the quarter of Chatby (American Journal of Archeology, 1990). Chatby tombs (figure 1) are considered as the preserved root from which all Alexandrian tombs stem. They date to the third century B.C and consist of two graves. The main tomb consists of an entrance leading to a corridor than smaller one and finally an open court. To the east is a prosta (front room) and then burial chamber (oikos), which has double sarcophagus in the shape of bed with complete cushion in stone. The entrance is formed of Doric and Ionic half columns. The other tomb is a surface tomb,

which usually contains loculi, discovered in the 1980's (Ryadh, 1963)

Tombs of Anfoushy (fig.2)



Source: <http://hokustrade.info/tre/BOBA.exe>

Tombs of Anfoushy, located at Anfoushy district near Ras el Tin Palace, have about five tombs. Two of them, dating at first half of the third century B.C., are considered as the most important ones, Tombs I, II and V are the ones best preserved and those of greatest value in the problem of the mutability of culture and ethnicity in ancient Alexandria. (Majorie, 2002)

The forms and the plans of the tombs resemble in their design the Greek ancient houses. Each consist of a stair case cut in the rock leads to an open court(Ole) which gives access to an open court (prostas) then a smaller room which is the burial chamber (Oikos).The tombs represent a unique style of mural painting especially in the ceiling of the burial chamber of the complex no.1. It is probably the only example of Ptolemaic tomb. The most remarkable feature of the tombs is the huge loculus, which with its painted frame, acts as the focal point of the room.

The loculus is richly painted on both its interior walls and its ceiling. On the walls of the Anfoushy Tomb II as an example, the staircase is decorated in zone style program, three scenes depicting the introduction of the dead, which a great part of it can still be seen. The lower

landing opens to court, which is entirely decorated with zone style.

The existing painting on the wall indicates painting of Egyptian deities shown in Egyptian styles, still to be seen also deceased flanked by Horus, some details are not clear others are gone.

Factors determining the stability of the tombs and its mural tomb painting are as follows (Fathy, 2009):

Defects in the limestone formation where tomb cut (high porosity, poor limestone and fractures).

High level of water table inside the tombs as reason of the sea water, the rain water, drainage water and Mariot lake water.

The fact that the tomb is a lower level from surrounded area made it act as a main point for water collection.

Salt weathering hazards.

Rise and fall of humidity and temperature.

Microbiological activity and metabolism products.

Defects in previous restoration works.

There are parts of the tomb which need to be restored immediately, especially the roof of the second tomb of Anfushy where salt crystals are very clear, as well as the fifth tomb, which is filled with ground water (Shaheen,1994Kadous,2000;).

Kom el Shogafa (fig3,4)



Source: Empereur, 1995.

It consists of a shaft about six meters in diameter and contains both the spiral staircase and the central light well around which the steps wind. The stairs open onto an entrance vestibule which with the rotunda, the dining triclinium and the burial rooms added after the initial construction of the tomb, comprise the first underground level.

The vestibule is flanked to either side by small exedra paved with alabaster and fitted with semicircular rock cut benches sheltered by conch shaped semi domes. The rotunda consists of a cylinder shaft surrounded by a ring shaped ambulatory. The shaft is capped by a dome supported by six pilasters; a low parapet

between the pilasters encloses the shaft. South east the rotunda at a right angle to the vestibule, the entrance to the triclinium opens onto a huge room, nearly nine meters square, cut with four freestanding piers with Doric anta capitals. Between the piers are laid out the three rocks cut couches, each about two meters wide that form the U-shape, so that diners could easily converse as they reclined. The three elements the vestibule, rotunda and triclinium comprise the first level in the Catacomb. On axis with the vestibule, a wide staircase which divides to accommodate the prompter's box (a covered shaft that leads to the third lower level.), leads to the second level that contains the Main tomb. The stairs continues down, similar to the Egyptian rock cut tombs. The original plan of the second level consists of the Main tomb framed by U- shaped corridor containing loculi and niches for the sarcophagus burials. The tomb was expanded to accommodate more corridors and burial rooms, creating a labyrinthine catacomb. The Main Tomb takes the plan of a Greek temple with a "pronaos" or antechamber and a "naos" or burial chamber. (Majorie, 2002)

The antechamber back wall consists of a façade which carries rich relief decoration. The door frame is bounded by a torus molding and supports a cavetto cornice decorated with a winged sun disc and crowned with a frieze of rampant uraie. The doorway is flanked at either side by an Agathodaimon wearing the double

Figure5: Tomb I



crown of Upper and Lower Egypt. Above the head of each is a head of Medusa in a round shield. At each side wall of the anteroom is a niche containing slightly under life-size statues, one of a male and other a female. Both stand in traditional Egyptian poses, except for the heads. The burial chamber plan is based on a Roman model. It contains of three large recesses on three sides. Each of the sarcophagi is cut in the rock, complete with its lid and decoration. The back of the wall of the sarcophagus show typical Egyptian scene like mummification, offering of the king to "Apis" and at the sides of the niche are scene of the deceased or emperor in front of different gods. At the back of the entrance, Anubis is presented in the garb of a roman legionary. The triclinium shaped burial chamber of the Main Tomb like its façade, is decorated with sculpted reliefs which comprise the most extensive and most complete assemblage of figurative sculpture in any Alexandrian tomb yet found. (Majorie, 2002, p.133).

The third level of the tomb is submerged in ground water, also saturated with sand. The water level of the water reaches the second floor from time to time.

Figure 5-12: Hall of Caracalla (Nebengrab) Peresphone Tombs

Source: (Empereur, 1995).

Figure 6: Tomb I (Ultraviolet light)



Figure 7 : Master scene



Figure 8: Ceiling of Tomb II (ultraviolet light)



Figure 9: Tomb II



Figure 10: Master scene at the back of the second tomb



This part of the tomb was called after the Emperor Caracalla because of the bones which were found in it and which were believed to be the result of the massacre that happened during his visit to Alexandria. But the bones found there belong more to animals, especially horses. As this part of the tomb is dedicated to Nemesis, the goddess of sports, is thought that this are horses who won the races.

The tomb consists of staircase, square shaft at the bottom of which stands an altar, front rectangular rooms and another at back.

Each of the tombs shows two scenes arranged in superimposed registers, the upper register shows a typical Egyptian funerary scene of Anubis attending the mummy in the central lunette and other mortuary deities on the flanking

walls, whereas the bottom register depicts the Greek myth of the abduction of Persephone (Empereur, 1995).

At the side in the open Museum is standing the Tigrane Tomb. This one of the rare Roman period tombs found in the eastern necropolis. Discovered in March 1952 during the construction of a building near the tomb complex of Moustapha Pacha. The tomb consist of two small roos set to either side of a central entrance hall. One room is fitted with loculi and this was left and the other consist of three sarcophagi set in arcosolia in triclinium form and decorated with paintings that give the tomb its special place in the history of Alexandrian funerary monuments. (Majorie Susan Venit, 2002, p.146).

The Tigrane tomb preserves the most extensive decoration of any tomb yet recovered from ancient Alexandria. (Majorie Susan Venit, 2002, p.146). The decoration combines Egyptian and Graeco-Roman style, which Venit called dual style. (Majorie Susan Venit, 2002, p.146). The tomb is not well protected against humidity.

Esna (located Upper Egypt)

Esna, the site anciently termed iwntj , snj or tA snj , the Greek name Latopolis is located north of Aswan and east of the Nile at geophysical frontier between Egypt's limestone and sandstone formations.

The temple is located about 200 meters east of the Nile River. The street that links the temple to the landing terminates is one of the few quays that have survived from ancient Egypt. Made of limestone, it was inscribed for the Roman emperor Marcus Aurelius and still functions.

To the south of Esna , at Kommir, a fish necropolis has been uncovered, containing numerous of mummified Nile perch associated with the goddess Neith.

The completion in 1990s of the Nile locks at Esna has adversely affected the rise of the water table, with the result that the ground water continues to intrude upon the site, percolating into the fabric of the temple at accelerated and alarming rate. (Sauneron, 1977)

Sewage systems are needed or need to be re-set in several towns with important structures. The surrounding town of Esna has sequentially grown, standing now at a level nearly above the full height of the ancient Temple.

Esna's importance grew during the 18th Dynasty as Egypt's relationship with Sudan had been growing. But the "Esna-Derr route" was not to hold its capital importance for long. It had to wait until the 26th Dynasty to regain its interest, becoming under the Greeks and Romans the capital of the Third Nome of Upper Egypt.

It was later called Steti or Sne by the Copts and nowadays called Esna. During the Roman era the city became tragically famous as the City of Martyrs. Esna, many of whose villagers were Coptic, witnessed persecution under the reigns of Decius and Diocletian. In 250 AD Decius issued an edict for the suppression of Christianity in simple terms. By a certain date, that varied from place to place, all the inhabitants of the empire were required to make a sacrifice to the Roman gods. The accomplishment of the sacrifices would be officially registered by the magistrates of the community, who would give each individual a libellus or certificate. Those who refused were to be sought after and sentenced to death (Montalbetti, 2009).

Decius became known as "the fierce tyrant", but a few years later, under Diocletian, Christians in Esna had to suffer the fiercest persecution yet, the emperor sent in his troops, who murdered 80,000 martyrs. There is a tomb named 'The Three Brothers'. In it rest the bodies of three brothers, their mother and their sister. It is said the Romans killed them and dined on their bodies. There are many monasteries in this area.

"Deir Manaos wa Al-Shuhada, or the Monastery of the Three Thousand Six Hundred Martyrs, is considered a commemoration to these emperors' persecutions. The 10th century church is said to be one of the most beautiful in Upper Egypt. But there is also Deir Al-Fakhouri, or the Monastery creates the world out of mud," of the Potter (Badawi, 1953; Sauneron, 1963).

From Islamic mounuments is the Emari Minaret - - one of the oldest minarets in Egypt -- which can be traced back to Badreddin El-Gamali, who built the walls of Cairo, and which escaped the mosque's demolition in 1960 (Creswel, 1942).

The temple of Esna:

The temple was built by the Roman Emperor Claudius who extended earlier buildings from 18th Dynasty. The temple originally consisted of three temples on the west bank and one at the east bank. The northern one (about 5km to the north) is the oldest that was dated to Ptolemy III Euergetes I, but this is now completely vanished. The second, also at north, was removed during the time of Mohamed Ali. All tempels have disappeared but its description is left from great

text of Esna, travelers of 18th and 19th century and French expedition. The last Temple would once have been built to a plan similar to the temples at Edfu and Dendera but all that now remains is the hypostyle hall. The rest is most probably beneath the current city as the temple lies nine meters under the level of the city (Ali, 2009).

The temple is almost entirely unexcavated, as the greater part still lies under the houses of the modern town; and to buy up the land and remove a large number of the inhabitants of a thickly-populated district is too expensive matter for the archaeologists. It is rather likely that buried part of the temple was considerably earlier than the hypostyle hall, but until excavations can be made, nothing is certain (Sayed, 2007).

The oldest part of the structure seen today is the west (back) wall which had been the façade of the original temple, depicting reliefs of Ptolemy VI Philometer and Ptolemy VIII Neos Philopator. The earliest king mentioned here is Ptolemy V, who was being offered a libation by his son Ptolemy VII. The building stopped for a while and was continued during the reign of Claudius and Decius in Roman era (Sauneron, 1952).

The part of the temple we see today is around a quarter of the size of the original building. The temple is dedicated to the god Khnum, Neith, Sated, Heka, Nebet-Uu and Menhyt. S.Sauneron, Esna V 1962: "les fetes religieuses d'esna aux derniers siecles du paganism".

The scenes depicted on the walls shows 230 scenes ritual, ordinary one which is less frequent (hunting with the net and especially the offering of pottery wheel. Also found hymns dedicated to god Khnum as ram or also as crocodile (Sauneron,1977) and which consists of a list of rituals done on the different feast as indicated in Esna calendars(Sabban, 2000). The scenes of Roman Emperors are important as some are the only preserved in ancient Egypt like of Nerva, Caracalla, and his brother Geta (Bianchi, 2001).

The monumental pronaos is erected in the Roman Period from time of Claudius and Decius in front of the Ptolemaic temple. The façade of the latter protrudes from the rear of the wall of

the pronaos is build by Ptolemaic VI Philometer, Ptolemaic VIII Euergetes II. The façade is 40m wide and 17 m high. The ceiling is decorated with astronomical depictions is supported on four rows of six columns, 12m high with composite capitals. (Arnold, 2003). The columns are fine coloured and decorated. No two columns have the same decoration (Fig 13-17)

At southeast side of the façade of Esna temple (Fig.18, 19) lies old Basilica (7x11m). it consisted of five columns in two rows, an altar and apses. The church is at same level of the temple. Unfortunately, the temple is suffering from underground water (Fig. 20-21)

Conclusion

Cultural tourism in Egypt depends on the beauty and preservation of ancient monument sand historic sites. Climate changes may affect these cultural treasures in sometimes subtle ways. The most fragile elements of the country's heritage are the wall paintings in ancient tombs and temples. Strong shifts in temperature and in the moisture content of the air— the result in part of climate change—may degrade the paintings' stability over time. More dramatically, climate change affects the Nile and the water cycle. This in turn may affect cruising activities on the river, and rising groundwater tables and storm surges may damage cultural sites in coastal areas.

Therefore, the need to rescue and sustain Egypt's cultural heritage assets arises more and more. It is very important to take serious actions and procedures to fulfill this target. In addition, study findings show that there is a lack of strong data base that lists all heritage sites and particularly those in Danger. Consequently, it is of great necessity to make a regional survey in Egypt and to build a strong database about all cultural and heritage sites.

To date, only limited financing has been made available at the regional and international levels to address climate problems. An infusion of international funds is needed to help countries like Egypt with capacity building and technology transfer for coastal adaptation, protection, and management. Moreover, serious efforts should be made in order Cultural and Heritage sites would be nominated on the UNESCO World

Heritage List for preservation and as part of the country's sustainable tourism strategy.

Recommendations

Particular issues on which international assistance should focus, include the following:

- Developing regional circulation models and fostering "home-grown" model-building capacity (as opposed to importing models developed elsewhere) to enable decision makers to better project, assess, and understand prospective climate changes and risks at scales relevant for national policymaking
- Carrying out vulnerability assessment for potential climate impacts, including extreme events and adaptation strategies
- Testing options for environmentally friendly technologies for protection of the Mediterranean coast in general and low elevation areas in the delta in particular
- Developing public awareness programs targeting stakeholders and officials of the coastal governorates about the impacts of climate change on coastal zones
- Establishing proper observation systems, monitoring networks, and geographic databases of key indicators on sea level rise to support decision making
- Building cooperative approaches and integrated institutional structures to coordinate the efforts of all concerned actors and institutions in Egypt
- a comprehensive tourist development plan is essential as the pre-condition for developing tourist potential;
- a fundamental principle of any tourist development plan is that both conservation and tourism benefit;
- a significant proportion of revenue earned from tourism should be applied for the benefit of conservation;
- the long-term interests of the people living and working in the host community should be the determining factor in selecting options for tourist

development; educational programs should assist and invite tourists to respect and understand the local way of

life, culture, history and religion.

- The sites of Egypt needs to pump the underground water or find a solution to improve that the underground water with the time disappear.
- The salt has to be removed as this could cause the painted scene to disappear with the time
- The security of the sites has to be improved as a lot is stolen, which is a heritage not to be replaced. This is the case in many sites as Tanis, Akhmim, Hierakonopolkis, Abu sir and others.
- The archeologist need to be trained how to guard the monuments and to increase the education of the people how to keep the monuments
- Solutions to overcome the problem of groundwater that is threatening archeological sites would be digging a trench around the site and filling it with gravel to drain the area and then use hydrological sensors to monitor the level of water
- A regional survey in Egypt should be made to build a strong data base that lists all heritage sites and particularly those in Danger in order to include them in the World Heritage List; UNESCO World Heritage List in Danger to be able to receive all the necessity funds and expert advice and management to insure the preservation of Egypt's heritage and cultural treasures as part of the country's sustainable tourism strategy.

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THE TRANSFORMATION OF HOSPITALS BY THE CHANGE OF THEIR LEGAL FORM – CASES FROM CZECH REPUBLIC

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Abstract

This paper aims to describe and analyse the process of transforming hospitals by changing their legal status. The paper analyses a sample of approximately 80 hospitals operating in the Czech Republic which have gone through the transformation process. Empirical research has been carried out by the evaluation of secondary economic data and internal materials of hospitals providing health care services in different regions of the country. Particular emphasis is put on the process of changing the legal status from public hospitals to private limited companies and the assessment of the causality of this process. It further describes the reasons for the transformation and its practical implications in hospital management using a legal business entity, focusing on the clarification of the administrative aspects of hospital management/ownership. This study is based on the comparison of the hospitals' activities provided by the hospital management, both during the pre-transitional and post-transitional phases. The research outcomes evaluate the effect of governance and management of new legal entities in selected areas within the field of healthcare services.

Keywords: Hospitals, management, corporate governance, economy, legal form transformation.

Introduction

The legal form transformation change of hospitals is currently up-to-date subject in many countries of Middle and Eastern Europe (Albrecht and Klazinga, 2009; Mishtal, 2010). After 2000 there was currently solved transformation change that was connected with transition from budgetary and semi-budgetary orientated legal entities into form of business companies' form also in Czech Republic.

The transfer the former "county" hospitals from the state scope into the lately established provinces in 2003, was the primary impulse. In this context the first glimpses of semi-budgetary organization as inconvenient legal form occurred resulting in later demand for transformation. The main idea that went along with the transformation from public budgetary organization into the joint-stock company consisted in the fact that the regional or municipal council will act according to valid regulations and with the decision making and controlling competence including human resources concept. This was especially argued in the context of highly publicized threat associated with the privatization of hospitals which in fact yet occurred. It was expected that this should lead to optimization of the hospitals network, or number of acute beds, also which was supposed to stabilize the economy of the hospitals, while

maintaining the availability and quality of health care. It was the fashion of the time that we met in most of the regions in the Czech Republic. (Pirozek and Stritecky, 2003). In this context, there was much discussion about the nature of health care provided and the possible nature of the health care services. On the one hand, there began to promote the ideas that were associated with a higher proportion of market access (Stritecky and Pirozek, 2002). On the other hand, there were and are still held views, in which the public health sector plays the main role and health care is associated primarily with the nature of public service. Some authors representing views that are based on the dominant role of the public health sector reported that health care systems, where market mechanisms play a greater role, are expensive and inefficient, but acceptable for the citizens of affluent countries. In connection with the activity of the regions there was feared the weakening of the conceptual and managerial roles of the Ministry of Health together with growing impact of medical suppliers (Holcik, 2004). Other argued that the ownership of hospitals does not play a primary role in determining the economic efficiency (Hava and Kruzik, 2002), or stressed the possible higher bankruptcy risk in the case of economic difficulties (Hava and Maskova, 2007).

Also very often there was used an argument based on experiences from foreign countries, that the public non-profit hospitals may be more effective than the private profit-oriented ones, or that hospital ownership serves only minor role and does not affect economic efficiency and. An emphasis is given to non-market institutions as a means to remedy the results of inefficiency of market failure in health care services (Arrow, 1963; Hava and Maskova, 2007). In many studies, there is not confirmed any economic efficiency associated with private ownership (Ozcan, Luke and Haksaver, 1992). But there are also opinions that are associated with greater autonomy for hospitals connected with the higher flexibility by addressing the specific problems of management at the hospital level (Jakab et al, 2002). Alternatively, there are stated some specific advantages associated with the higher motivation, income, flexibility, accountability and efficiency and disadvantages in terms of risk and the fragmentation of the hospitals autonomy. (Maxwell, 1997)

However, it should be noted that this was an argument on the basis of assumed knowledge, where specific experience with the transformation of legal form of hospitals lacked (Mache et al, 2009). The reference to the concept of hospitals transformation was often used, while in Europe it often leads to different modes of hospitals' ownership (McKee and Healy, 2002). In connection with the transformation of legal form of hospitals were created procedures that drew attention to the pitfalls associated with the choice of legal form of profit-oriented hospitals under the Commercial Code with respect to an owner who would be the county (Pirozek and Stritecky, 2002).

Before the act of transformation, hospitals had the form of semi-budgetary organizations with limited chance to influence economy, particularly personnel costs that create a large proportion of the total costs of hospitals. Management of the hospitals, with certain exceptions, was losing and thus it was very difficult to assess the management with respect to the absence of publicly available information resources or annual reports. Very arguments were heard that the legal form of allowance organization did not allow sufficient flexibility in success influencing and evaluating of hospitals' management. Moreover, there were significant interferences of politicians in the field of subsidy policy and thus inadequate picture of the economic ability to sustain the hospitals' capacity.

Especially at the regional level since the 2005, the transformation of legal form of hospitals has occurred. A conservative approach with preservation of the legal form of budgetary organizations was raised in connection with only three Czech regions/counties. Due to the continuity of the legal form of budgetary organization and the development of transformed legal form of business organization in various counties and cities, we can get a comparison of the success of using the legal forms for hospital management and managing process in general.

This paper aims to evaluate the transformation of hospitals legal form in the course of several years, when the hospitals operate under new and original legal forms. Based on the evaluation of the management of various types of legal forms can be carried out to evaluate the effect of

transformation with regard to the economic performance of hospitals.

Methods

To evaluate the transformation of legal form of hospitals we used the hospitals's annual reports from 2009 (77 subjects) and 2008 (three subjects) which were acquired from official web sites or using www interface of Czech Commercial Register. The data from annual reports was consequently checked with the financial statements online published on the Ministry of Justice or Ministry of Finance websites. A total of 89 annual reports were obtained. Due to incomplete data nine of these were discarded from our survey.

The following indicators were considered for of each hospital: year, legal status, statutory authority's expertise, the majority owner and his share capital quotient, a number of the Supervisory Board members. On the basis of the main production indicators were monitored parameters of the bed capacity, staff number and the number of hospitalizations. On the basis of the economical parameters were monitored the assets parameters, total revenues, profits, operational subsidies/grant, the average salary and sponsor participation in the economy and management. An additional secondary indicator considered was the completeness of annual report.

According to the Institute of Health Information and Statistics of the Czech Republic there are 191 hospitals operating in the Czech Republic. 19 hospitals (university and highly specialised ones) is being managed by the Ministry of

Health, five hospitals are set up by the other government departments (particularly by the DoD), 24 hospitals are subsidised by the regional authority, 18 hospitals is a founded by the city, 122 hospitals have the status of legal forms of companies (the vast majority of the 100% owned by the Region) and in 3 hospitals is the founder of the Church.

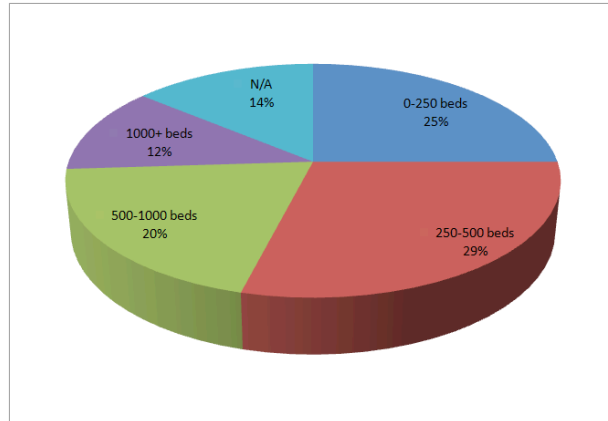
These hospitals present the essential sample for the research of hospitals operating in the Czech Republic. In the obtained sample, all the legal forms types were included. The scope of the sample researched was influenced by the willingness of the requested data transmission, and, consequently, also by the annual report sufficient completeness and explanatory power.

Results

The sample consisted of 80 hospitals with following characteristics: the data analysed came from annual reports from 2009 (77 hospitals) or 2008 (three hospitals, owned by regional authority in form of budgetary organisation). The complete (with all entries required) annual report published 54 hospitals. As anticipated by authors the subjects with largest deficit of the required information were particularly the large hospitals with legal form of public (semi-) budgetary organisation owned by the Ministry of Health.

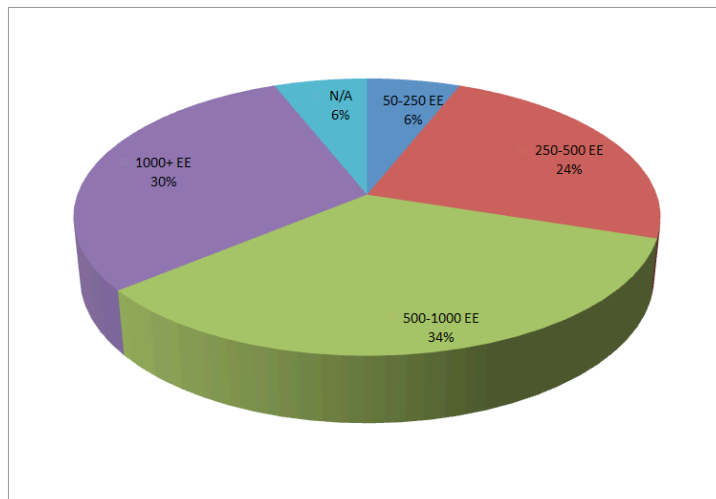
The size/capacity of hospitals in the sample can be estimated according the number of beds and staff: 20 hospitals with up to 250 beds, 23 hospital with 250 – 500 beds, 16 hospitals with 500 - 1000 beds and 10 hospitals 1000+ beds and 11 hospitals omit the capacity figures from annual reports.

Fig.1: The bed capacity of hospitals



Five hospitals employ 50-250 employees, 19 hospitals 250-500 employees, 27 hospitals 500-1000 employees, 24 hospitals more than 1000 employees and 5 hospitals did not mention the number of employees.

Fig. 2: The number of employees in hospitals



The classification of the hospitals sample by the legal form after transformation was following: 36 hospitals with a legal form of joint-stock company and 5 hospitals with the legal form of limited liability companies. Further information was obtained from 16 hospitals with a legal form of

government (semi-) budgetary organization founded by the Ministry of Health, or in one case, the Ministry of Defence. One hospital had the status of NPO/NGO, two hospitals benevolent company and 20 hospitals had the legal form of (semi-) budgetary organizations (see table 1).

Table 1: The legal form of hospitals

Legal form	Joint-stock company	LLC	Public budgetary organisations	NPOs.	Benevolent corporation	Semi-budgetary	Total
Number	36	5	16	1	2	20	80

The ownership structure of research sample was following: 16 hospitals owned by the government department/Ministry (15 by Ministry of Health, one by Ministry of Defence), five hospitals owned by private subjects (four by private companies,

one by incorporated natural person), one hospital owned by Church organisation, 12 hospitals owned by municipality and 45 owned by region authority (see table 2).

Table 2: The hospital's ownership structure

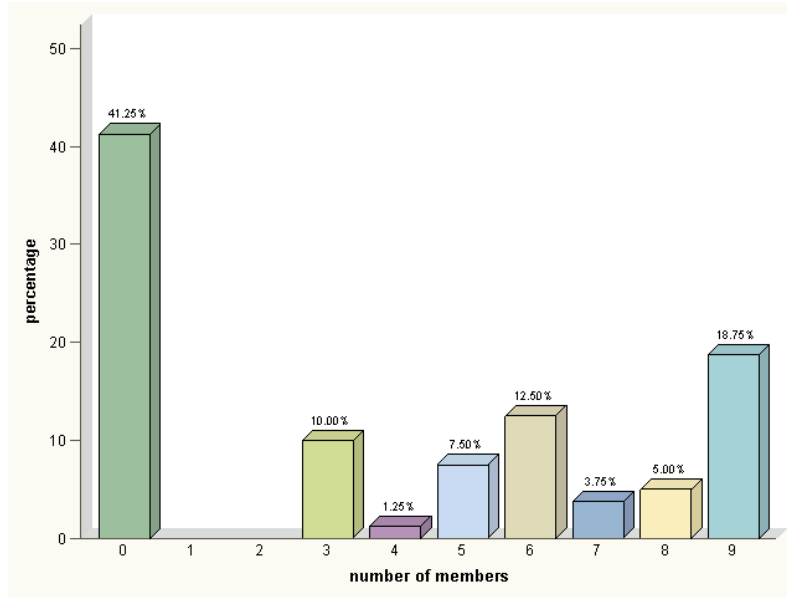
Owner	Gov. Department (Ministry)	Region Authority	Municipality	Mutual Region and municipal	For-profit (private company)	Church	Total
Status	public				Private	other	
Number	16	45	12	1	5	1	80

The supervisory board is required for joint-stock form. For other legal forms is optional. Surprisingly in some case the board of trustees is being established in budgetary or semi-budgetary organisation (owned by regional authorities or municipalities) or even in hospitals with LLC status (see table 3).

Table 3: The number of supervisory board members in selected hospitals

No. of supervisory board members	0	3	4	5	6	7	8	9
Number of hospitals	33	8	1	6	10	3	4	15

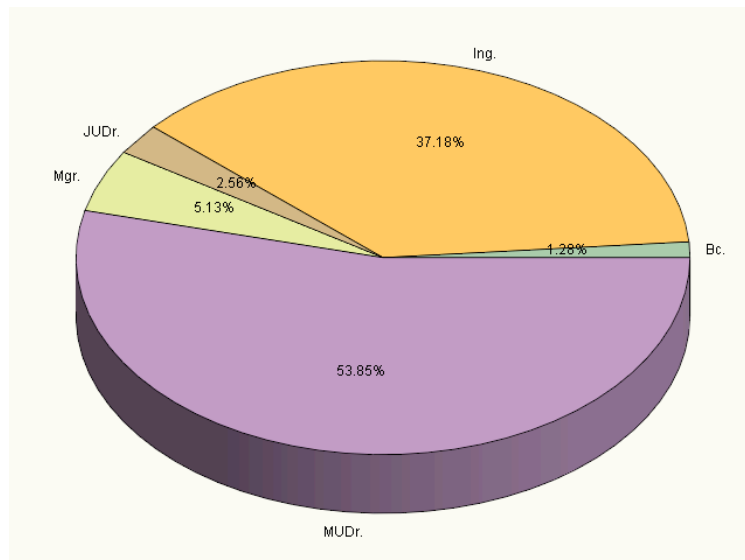
Fig. 3: Supervisory board members



In connection with the performance of hospital management it could be interesting to look at the qualification of statutory bodies. The former approach when medical degree hospital managers or board members was almost

obligatory has changed - apparently in relation with the transition process – in favour of economically/technically educated professionals (Ing.), lawyers (JUDr.) or graduates with non-specific university degree (Mgr.).

Fig. 4: The qualification (education) of statutory bodies



The economic parameters of hospitals were determined using the basic indicators of

operating results, assets, income (turnover) and average salary. Attention was focused especially

on the realized profit. It should be noted that this is accountancy adjusted (manipulated) data, which is very difficult to interpret for the assessment of the overall economic effect and of the legal form transformation success.

The reason for disputing the effectiveness evaluation of the management of hospitals was fact that the vast majority of hospitals draw operational subsidies/grants from its owner or founder. It should be further noted that the official documents regarding the operation subsidies/grant amount does not correspond with the official numbers reported in the financial statements and the actual amount was determined from the audit report, if this report was part of the financial statements. In three cases the sufficient data missed. The investment grants subsidies were not subject of our enquiry.

It turns out that the owner (regardless of its nature) of the organization in the research sample plays important role in most hospitals have achieved positive economic results (55 hospitals). An interesting finding is that a purely negative result was achieved only at hospitals owned by regions/counties or municipalities. On the other hand, the positive economic results show subjects mainly owned by State or private companies/individuals. Another interesting finding is that although the owner, (represented by the government department/Ministry) is constituted as public budgetary organizations uses a significant contribution in the form of operating subsidies. The positive operating results (without using operation grants/subsidies) are achieved only by owners – private companies/individuals and some selected owners represented by region authorities.(For details see tables 4 and 5).

Table 4: Operating results according the ownership structure

Result	Gov. Department (Ministry)	Region Authority	Municipality	Incorporated natural person	For-profit (private company)	Total
Negative (loss)	0	18	4	0	0	22
Positive (profit)	15	27	9	1	3	55
Negative No grant (appropriation)	0/	7	1	0	0	8
Positive No grant (appropriation)	0	3	3	1	2	9

Legal status of hospitals points to management of hospitals improvement. Higher transparency and participation/involvement of the owner both stand out compared with the pre-transitional period when the legal form of state owned or public budgetary organization dominated. From the perspective of a negative result, it appears that the legal forms with no significant economic problems include the legal form of state budgetary organizations (gov. departments) and NPO/NGOs (the Church). However, both forms,

as shown below, don't get along without operating grants/subsidies. This strongly influences the assessment of actual operating results and does not allow evaluating the economic sustainability correctly. In addition the high proportion of negative results in the legal form of company stock for both help and operating without the aid of subsidies.

Table 5: Operating results according the legal form

Result	Joint-stock company	LLC	Public budgetary	Semi-budgetary	NPO	Benevolent corporation	Total
Negative (loss)	14	1	0	5	0	2	22
Positive (profit)	20	4	15	15	1	0	55
Negative No operational grant (subsidy)	7	0	0	0	0	1	8
Positive No operational grant (subsidy)	4	3	0	2	0	0	9

The overall results indicate that the most successful companies (in terms of economic/operational results) are represented by the hospitals with private owners (individuals or business companies). Also successful (budgetary) legal form is typical for hospitals owned by the municipalities. What can be noted as interesting fact is that seven out nine hospitals (regardless the legal form) has a very underrated the Supervisory Board established.

Discussion

The paper evaluated the transformation of legal form of hospitals in the Czech Republic and the associated economic success. Unfortunately due to the nature of specific sources used there was somehow difficult to interpret the outcomes/results published in the annual reports. Many economic results were either incomplete or did not match those figures reported in the financial statements of the hospital in 2009 or in 2008, especially in the terms of reckoning the amount of operational subsidy. The availability of subsidising hospitals by owner/founder strongly influences the economic success of the subject, and thus its future economic sustainability.

Selected hospitals in form of a joint-stock company (and especially) owned by regional authority/ county also suffered from non-traditional approach to the operating subsidies.

Very often the amount corresponded with the benefits (remuneration) paid to members of the Board or the Supervisory Board, consisting of mostly handpicked political parties. Qualification of successful leaders of hospitals was associated with medical or economic - technical education equitably. It has been shown that successful directors of hospitals in different types of legal forms may have medical, economic or technical degree. It should be noted that in connection with the transformation of legal forms of hospitals it was not a privatization of hospitals as often stated at the time of the changes. Percentage of ownership is 100%, whether public or private natural or legal persons.

Originally the transformation process was justified by the limited possibilities to influence the management of loss-making hospitals and the associated lack of flexibility in influencing the management of hospitals. In addition, very limited sources of information regarding the management of governmental budgetary organizations were available.

It is important to realize the importance of operating subsidies and their impact on the economic outcomes of the hospitals. To estimate the extent of negative effect distorting so called economic competition or influencing the behaviour of hospital managers is beyond the possibilities of this paper- but can be anticipated by the existence of profitable healthcare

providers with positive economic results not being substantially subsidised by owner. This also indicates an importance of such subjects for the network of healthcare providers having a positive impact on the financial management of publicly funded health insurance.

No evidence supports the arguments of transformation opponents pointing to excessive cost, inefficiency, ineffectiveness, and all associated with the threat of market failure in health care services sector. Successful transformation can be linked to good performance of effective and efficient administration and management of hospitals (so called hospital governance) and the owners of both private and public ones too. If properly implemented power from the executive and administrative authority, and clearly delegated adequately staffed competences, we can observe signs of successful outcomes. It is easy to contribute such results to legal form transformation but relevant evidence is though still lacking and should be a subject of further research in this area.

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ICT SUPPORT OF THE FINANCIAL STATEMENTS CONVERSION: MAIN METHODS AND THEIR ADVANTAGES/DISADVANTAGES

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Abstract

EU Regulation No. 1606/2002 obliges companies listed on the EU stock exchanges to prepare their consolidated financial statements in compliance with IFRS. Many Czech companies are under control of foreign companies (issuers of securities listed on EU capital markets). As the voluntary application of IFRS was not allowed until 2010, Czech companies prepared financial statements according to the Czech legislative for statutory purposes. However, for consolidation purposes, they had to provide their parent companies with financial statements prepared in compliance with IFRS as adopted by the EU.

The paper deals with three basic solutions, which can be applied when an entity is engaged in the conversion of financial statements from one set of accounting standards to another set of standards. The first method uses conversion on the financial statements level. The second method applies the conversion on the trial balance level. Finally, some companies prefer to implement specialised accounting software, which enables to record all accounting transactions twice – both according to CAS and IFRS. Each method is shortly described and its main cost-benefits are analysed.

Key words: *Conversion of Financial Statements; IFRS; Czech Accounting Standards; Dual (Financial) Accounting System*

Introduction

The adoption of the International Financial Reporting Standards has caused a radical change in financial reporting, esp. in countries with the code-law tradition of accounting

regulation. The research evidence an increased usefulness of financial statements prepared in accordance with the IFRS worldwide. The benefits of accounting harmonisation are well known. However, the implementation of the IFRS into national legislation elicits costs for many subjects involved in the process. E.g. many national legislations decree entities to prepare IFRS statements for stock exchanges and simultaneously to prepare financial statements based on national accounting standards for statutory purposes. As a consequence, entities have to maintain two different sets of accounting data. The conversion of financial statements from one set to another is a complex and costly process. The paper's main aim is to analyse advantages and disadvantages of various methods used for the conversion of financial statements.

Background

Recent researches demonstrated the usefulness of accounting information contained in financial statements prepared according to the IFRS. The IFRS adoption has increased the quality of disclosed information comparing to national GAAP (Barth et al., 2008, p. 496). Moreover, the IFRS adoption in Europe has not only contributed to the enhancement of financial reporting, but has also assisted in improving the comparability between countries Macías (2008, p. 8.). This improvement in quality is significant across Europe as shown by Aubert and Grudnitski (2009) and esp. in countries with code law (Morais and Curto, 2007a), where accounting was and still is more closely linked to taxation systems. The same authors (Morais and Curto,

2007b) proved that this tendency is accompanied with less smooth earnings since financial reporting in accordance with the IFRS is not closely related to the taxation as local accounting standards are. Inwinkl and Aussenegg (2009) support this view and add that lower level of earnings management under the IFRS is more substantial factor in the Central and Eastern European countries as the IFRS allow less discretion than national tax-oriented accounting standards.

The IFRS have had a material impact on firms' financial information in some countries. The increase in value relevance is demonstrated esp. in countries with significant level of discretion in financial reporting, such as Italy (Paglietti and Conversano, 2007; Cordazzo, 2008) or Spain (Pardo et al. 2009; Ferrer et al., 2009). The positive influence of the IFRS adoption is also evidenced in transitional countries, e.g. in Romania (Mustata et al., 2009) Poland (Jaruga et al., 2007) or Russia (Bagaeva, 2009). The evidence confirming the value relevance of the IFRS is also available for countries traditionally focused on supplying the high quality information for external users, such as United Kingdom (Christensen et al., 2007; Ferrer et al., 2009),

The IFRS adoption process helps in solving problems on microeconomic level by reducing informational asymmetry between providers and recipients of capital Dumontier and Maghraoui (2007) and by intensification of foreign direct investments flows (Marquez-Ramos, 2009) on macroeconomic level as well.

As the previous summary of literature shows, the benefits of IFRS adoption are significant and can be traced in many areas of economy. On the other hand, not negligible costs are induced by the harmonisation process. Entities are obliged to prepare financial statements, which are usually more complex than under local GAAP; investors have to recustomise models computing intrinsic values of corporate securities, creditors need to adjust their risk assessment models, state authorities solve the problem how to ensure control of tax duty fulfilment under new accounting system, etc. Not all costs of the IFRS implementation are borne by those who take advantage of more useful and comparable financial statements. Therefore, a

comprehensive cost-benefit analysis of the IFRS implementation is difficult because it is unfeasible to compare benefits of one group involved with costs of another group.

The paper focuses on firms preparing financial statements in compliance with the IFRS. More specifically, advantages, disadvantages and costs of various methods used for the preparing of IFRS financial statements will be scrutinised. The problem seems to be pretty trivial at the first sight. The method used and cost incurred should be very similar as under any else reporting system. However, we should have on mind that financial reporting is a subject of state regulation in many countries. Besides IFRS statements for stock exchanges, entities may also be bound to prepare financial statements according to national accounting standards for statutory and/or tax purposes. As a consequence, entities face a problem how to ensure the preparation of two sets of financial statements, usually substantially different, in order to meet all legal requirements with minimal costs. This issue will be referred as the conversion of financial statements further in the text.

Advantages and disadvantages of various approaches to the conversion of financial statements will be evaluated. Further, a short description of regulatory framework for financial reporting within the European Union together with the analysis of accounting regulation in the Czech Republic will be performed. Finally, empirical evidence will be presented to support some theoretical findings.

The Czech Republic as the case country has been chosen for two reasons. The conversion of financial statements is an accounting issue of great importance because about 40% of Czech companies prepare two sets of financial statements. Secondly, accounting profession has been striving to persuade the regulator of accounting in the Czech Republic (i.e. the Ministry of Finance) to undertaken certain measures and thus to improve rather unsatisfactory situation. After many years, the Ministry of Finance reflected the effort of accounting profession and amended the Act on Accounting by enabling selected entities to apply the IFRS on a voluntary basis. The development in the Czech Republic can serve as an

inspiration for the regulators of financial reporting in other countries, both in positive and negative sense. We can assume that countries, whose accounting regulation is based on the code law approach and accounting is subordinated to tax system requirements, face a similar problem.

Conversion of financial statements

The conversion of financial statements can be defined as a process when an entity prepares two or more sets of financial statements for external users, each in compliance with distinct financial reporting standards. Financial statements different from statutory accounts for bank purposes; financial statements based on national legislation for tax purposes by listed companies; financial statements according to foreign GAAP for the purpose of consolidation by parent company domiciled abroad or financial statements in accordance with generally accepted principles instead of local GAAP for stock exchanges are most common examples of financial statements conversion.

There are three dimension of financial statements conversion:

preparation of the first individual financial statements (opening balance sheet respectively) prepared in compliance with an alternative set of financial reporting standards;

reporting of individual financial statements and other figures needed for consolidation or other purposes in regular intervals;

consolidation of individual financial statements.

The number of particular steps in each mentioned phase may differ depending on the purpose of conversion. Whether a company makes conversion on its own or whether it uses a template (e.g. prepared by parent company) is another factor influencing the process of conversion. Only the second phase will be analysed in more details.

The advantages and disadvantages of various methods of financial statements conversion are relevant especially in case of regular (e.g. monthly or yearly) reporting. No general advice, which solution to adopt, exists. Each entity

should have take into account its specific conditions and chose an approach mixing benefits and cost in the most favourable manner.

There are three basic approaches how to transform financial statements from one set of accounting standards to another set of financial statements (Mejzlík, 2006):

conversion on financial statements level;

conversion on trial balance level;

dual accounting system (separate module for each set).

The choice of conversion method appropriate for an entity depends on many factors, at least labour and ICT costs, number and type of differences, frequency of and deadlines for reporting should be taken into consideration.

Conversion on financial statements level

This method uses only the reclassification of items presented in financial statements. The main advantages of the method are:

easy and quick to implement;

no specialised ICT is needed;

low cost and labour burden;

easy to check the correctness of adjustments.

The disadvantages are:

applicable only if the number of differences is low (no measurement, recognition, accounting policies issues);

workable only for those cases when classification is the only difference.

Conversion on trial balance level

In this case, the list of accounts (trial balance) based on local GAAP is exported from an accounting software and then adjustments are made in spreadsheets (like Excel). The following pros can be identified:

no specialised ICT is needed (data spreadsheets are sufficient),

applicable even if the number of differences is higher.

The cons of this method are:

applicable only for difference in recognition of items (provisions, IFRS 3 recognised assets); however not operational for different measurement issues (work-in progress) and accounting policies (depreciation);

additional accounting expert for the IFRS should be employed => higher salary expenses;

conversion system is designed by the expert => his/her substitution in case of illness or termination of the job is questionable and sometimes even excluded without significantly high costs;

testing of the correctness and conclusiveness of the „conversion bridge“ is complicated and causes additional problems esp. for auditors;

the consistency of adjustments within periods and data relationships (e.g. retained earnings) is hard to hold;

archiving of underlying documents outside the accounting system is an open issue.

Moreover, this method is indecisive as far as meeting reporting deadlines concerns. After all transactions according to local GAAP are recorded, no additional transactions need to be recorded into the accounting system. However, afterwards the whole conversion process has to be carried out.

Timely and error-free data recording is a limiting factor of this method. Most delays are caused because deadlines for recording of transactions are not held, e.g. missing transactions are accounted for additionally due to delay of underlying documentation and the whole conversion must be run once again. Predefined tables, macros and other automatic calculations may mitigate the negative consequences of those delays, although not in all cases.

Dual accounting system

The accounting system is set up so as it enables entities to record all transactions twice regarding on the different requirements of the both financial

reporting standards. There are following plusses of this method:

all types of differences could be included,

conclusiveness and objectivity is secured as all „adjustments“ are incurred directly in SW modules,

customisation of accounting SW is possible and more outputs for management are available,

proper if number of difference is very high,

possible integration with ICT systems for consolidation reporting and other ICT systems.

This method has following minuses:

implementation of a new or upgrade of current SW is needed => additional costs and changes in processes,

more transactions are recorded (more workload and additional employees => higher labour costs),

question is how to record the transactions (all transaction to record twice in each module or to make special module for different transactions only),

way of archiving of the documents is not clear-cut (shall be documents numbered, ordered and stored according to local GAAP or IFRS or in a combined manner?).

This method of conversion of financial statements brings uncertain results regarding the reporting deadlines. More transactions need to be recorded into accounting software. However, if all is recorded, additional adjustments are not needed, as both sets of financial statements can be exported directly from accounting software. Moreover, recording of additional transactions do not cause any serious delays, because updated IFRS statements can be retrieved from accounting software immediately.

Regulation of financial reporting in the Czech Republic

As a member state of the EU, the regulation of accounting in the Czech Republic shall conform

to the EU legislation. The chief source of the EU guidance comes from the following documents.

Fourth Council Directive 78/660/EEC of 25 July 1978 based on Article 54 (3) (g) of the Treaty on annual accounts of certain types of companies (incl. subsequent amendments);

Seventh Council Directive 83/349/EEC of 13 June 1983 based on the Article 54 (3) (g) of the Treaty on consolidated accounts;

Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

Regulation on International Accounting Standards ordains a duty to prepare consolidated financial statements by publicly traded companies. Member states may broaden the scope of entities, which are obliged/allowed to apply the IFRS (e.g. in individual financial statements of listed companies or in individual/consolidate financial statements of non-listed companies).

The main means of national accounting regulation is the code law. The Czech accounting and financial reporting is regulated by:

Act No. 513/1991 Coll., Commercial code;

Act No. 563/1991 Coll., on accounting;

Decree of Ministry of Finance No. 500/2002 Coll., amending some enactments of Act No. 563/1991 Coll., on accounting, in the financial statements of business enterprises;

Czech Accounting Standards (further "CAS") for business enterprises subject to Decree of Ministry of Finance No. 500/2002 Coll.

Act on accounting until 2010

Despite the fact that EU regulations are generally binding in their entirety and are directly applicable in all member states of the EU without any further implementation in national legislations, the provisions of Regulation (EC) 1606/2002 were incorporated directly in the Act No. 563/1991 Coll., on accounting. The

obligation to prepare consolidated financial statements according to the International Accounting Standards as adopted by the EU by companies listed on the EU capital markets is included in §23a, article 1. However, the Czech regulator of accounting went one step forward and set up a duty for listed companies to prepare individual financial statements according the IFRS. According to § 19, article 9 "*entities, which are business companies and which are the issuers of securities publicly traded on a regulated market in the member states of the European Union, shall apply the International Accounting Standards as adopted by the EU for keeping their accounts and for preparation of financial statements*".

In addition, IFRS can be applied in consolidated financial statements of non-listed companies voluntarily (§23a, article 2).

No other entities were allowed to choose the IFRS on voluntary basis.

Act on accounting from 2011

After several years of effort by academics and practitioners, the Ministry of Finance proposed an amendment of Act on accounting, which was approved by the Parliament in 2010. Starting from 2011, companies specified by the Act are allowed to select the IFRS as the basis for preparation of individual financial statements, which are accepted for statutory purposes. Pursuant to the new §19a, articles 7 and 8, following three groups of entities may opt to use the IFRS in their individual financial statements:

parent companies preparing consolidated financial statements in compliance with the IFRS voluntarily pursuant to §23a, article 2;¹

¹ Until 2010, consolidating entities were allowed to choose to use the IFRS in the consolidated financial statements optionally, but individual financial statements had to be prepared in compliance with the CAS obligatory.

subsidiaries belonging to a consolidation group for which the consolidating company prepares IFRS consolidated statements;

joint ventures belonging to a consolidation group for which the consolidating company prepares IFRS consolidated statements.

The amendment of the Act has changed the features of companies covered by Category II (see their description further in the text). From 2011, the Category II entities can opt whether to prepare two sets of financial statements (both CAS and IFRS) or whether to prepare only one set of financial statements (only IFRS).

Evaluation of the financial reporting development in the Czech Republic

The adoption of IFRS in the EU has elicited new practical problems for companies affected. Member states of the EU follow different paths when implementing Regulation 1606/2002. Some countries have enacted only minimal requirements set up by the Regulation, i.e. only the obligation to prepare consolidated financial statements in compliance with the IFRS by listed companies; other countries have broadened the scope to their individual statements. Compulsory or voluntary application of the IFRS by non-listed companies is also possible in some countries.

As far as financial reporting concerns, three groups of Czech companies can be recognised. To summarise, provisions of the Czech Act on Accounting distinguished following groups of companies until 2010:

Category I (big Czech companies that are publicly traded on stock exchanges in the EU markets – IFRS reporting only):

These entities have both to account for their transactions and to prepare their financial statements (both individual and consolidated) using the IFRS. These companies are not required to prepare their financial statements according to the Czech Accounting Standards

(further “CAS”)² as financial statements prepared in accordance with the IFRS are also accepted for the statutory purposes.³

Category II (Small and medium-sized enterprises – both CAS and IFRS reporting):

This category covers a diverse group of companies. The common feature of Category II is that companies in question are not a direct issuer of publicly traded securities. Nevertheless, their owners are such issuers. Therefore, the companies belonging to this category shall prepare their individual financial statements in accordance with the CAS for statutory purposes. In addition, they shall provide their parent companies with financial statements and other information needed for consolidation in compliance with the IFRS. Act on accounting did not permit any voluntary application of the IFRS instead of the CAS by this kind of entities. In this group companies preparing consolidated financial statements voluntarily pursuant to §23a, article 2 may be also subsidised.

Category III (Small and medium-sized enterprises – only CAS reporting):

Category III covers family owned companies and other companies that are neither direct, nor indirect issuer of publicly traded securities. They shall account for and report in accordance with the CAS (again without possibility to apply the IFRS voluntary).

Provisions of Act on accounting required mandatory application of the IFRS not only in consolidated financial statements of listed companies (pursuant to Regulation 1606/2002), but also mandatory application of the IFRS in their individual statements. Individual financial statements are accepted for statutory purposes

² This is not the full truth. As far as the filling of income tax report concerns all companies have to start with the accounting pre-tax income, which has to be computed based on the rules defined by the CAS.

³ All Czech companies have the informational obligation to submit their financial statements and/or annual report to the Business Register.

levied by the Commercial Code and are submitted to Business Register. That means, that listed companies (Category I companies) are not engaged in the process of financial statements conversion, as both individual and consolidated financial statements are prepared according to the IFRS and no additional set of financial statements prepared in accordance with the Czech Accounting Standards (CAS) is necessary.

The conversion of financial statements was an important issue for companies covered by Category II. The majority of Czech companies are not directly listed on stock exchanges (there are only 60 issuers listed on Prague Stock Exchange). According to Act on accounting, all non-listed companies had to keep their accounts and prepare their individual financial statements in accordance with the Czech accounting legislation. However, about 40% of Czech companies are under control of foreign owners. A lot of them are domiciled in Germany, Netherlands, Austria and other EU member states and they are often listed on stock exchanges. For the consolidation purposes, Czech companies must provide their parent companies with IFRS financial statements.

As a voluntary application of the IFRS in individual financial statements had not been allowed till the end of 2010, affected companies faced a problem of financial statements conversion. Statutory accounts were held in compliance with the CAS; and consequently statutory statements had to be converted into IFRS statements.

The conversion is not a trivial issue as a huge number of differences between CAS and IFRS exist. The crucial conceptual weak points of financial reporting under the CAS are:

no identification of users of financial statements and of their needs;

absent specification of objectives of financial reporting;

vague requirements on qualitative characteristics that determine critically usefulness of information in financial statements;

absent definitions of fundamental accounting elements;

misinterpreted notion of true and fair view;

unsound and/or missing accounting principles for many accounting spheres; etc.

The situation becomes worse, when we deal with accounting treatment of certain items. PricewaterhouseCooper (2009) published a comprehensive analysis, which comprises differences on 80 pages. Therefore, the decision, which method of conversion to use, needs a deeper analysis by an entity's management. All relevant advantages, disadvantages, possible benefits and cost restraints should be taken into account.

With reference to a general analysis carried out earlier, the first method of conversion (on financial statements level) is not appropriate for the vast of Czech companies, as differences between CAS and IFRS are not insignificant. Remaining two approaches are therefore favoured by Czech companies. The second method of financial statements conversions (on trial balance level with usage of spreadsheet applications like Excel, OpenOffice, etc.) represents "golden middle way", as the benefits and costs are balanced for the majority of Czech companies reporting both under CAS and IFRS. Low level of conclusiveness and dependence on the only one accounting expert responsible for the conversion is offset by significant ICT cost savings, because no specialised software is used under this approach. The last method (dual accounting system) is applied by those Czech companies belonging to consolidation groups which use the same accounting and reporting system for all group companies. Usually, hardware and software is placed in one location (e.g. at the group central) and the companies keep their accounts via remote access. Higher ICT (ERP or other sophisticated systems are used) and labour (more bookkeepers are needed for recording each transaction virtually twice) costs are counterbalanced by two dataset of information. Moreover, the conclusiveness and consistency of accounting records is a valuable asset of this method.

It is obvious that impossibility to apply the IFRS voluntary produces high social costs regardless,

which method of conversion is chosen by entities. Scarce economic resources have to be employed in non-productive use. Academics and accounting profession tried therefore hard to persuade the Ministry of Finance to amend the Act on accounting by enabling voluntary application of the IFRS in individual financial statements by Category II companies. The Ministry of Finance finally recognised this proposal to be justified. Starting from 2011, Czech companies, which are consolidated companies in the context of Regulation 1606/2002, can choose to prepare their individual financial statement in accordance with the IFRS. In case of optional application of the IFRS, the financial statements conversion is no more issue. However, companies may decide to maintain current status quo and to prepare their individual statements further under CAS principles. As new provisions of the Act were enacted in December 2010, it is still uncertain how many entities will utilise amendments of the Act. Because of implementation of new accounting software is a quite complicated project; it is improbable that companies have switched to the IFRS already from January 2011.

Conclusion

The IFRS implementation into the Czech legislation has brought new quality to financial reporting due to their usefulness in comparison with the CAS. On the other side, the impossibility to apply the IFRS voluntarily by non-listed companies produces significant costs both non-listed companies, which are owned by listed companies. The financial statements conversion is an issue which solves almost 40% of Czech companies. The legal requirements on financial reporting, compulsory based on the Czech Accounting Standards, had been justified by the need of state to collect taxes. However, solving tax purposes via accounting elicits senseless social costs.

Therefore, the amendment of Act on accounting by the end of 2010, which enables selected companies to apply the IFRS voluntarily, shall be welcomed. The amendment should lead to presenting accounting information, which is more useful for public. The second favourable effect

would be the reducing of cost connected with recording transactions and preparing financial statements under two different set of accounting standards. The development in the Czech Republic can serve as a source of inspiration for countries considering adoption of the IFRS or widening the scope of affected companies.

There are some restrictions impairing inferences of this study. Firstly, not all Czech companies are allowed to apply the IFRS voluntarily. Only entities, which are subject of full consolidation under IFRS principles, are allowed to take advantage of the option offered by the amendment of Act on accounting. As a consequence, companies classified as investments in associate and consolidated by equity method are excluded from this option.

The crucial problem is, although, that Czech accounting is closely linked with the taxation system. For the computation of current income tax, only net income according to the CAS is relevant. Therefore, all companies regardless whether they prepare individual financial statements according to the IFRS compulsory or voluntarily have to keep evidence of taxable income based on the CAS. Without releasing financial accounting from the income tax law, the conversion of financial statements will remain a common practice for Czech companies. Future research should offer arguments for separating of accounting system from tax legislation. The conclusions can be valid for all countries, in which state regulator carries out the regulation of financial reporting mainly for the tax purposes.

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ANALYSIS OF THE ACCOMMODATION POSSIBILITIES IN THE DANUBE DELTA

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ABSTRACT

The authors proposed themselves to deal in an economic vision some theoretical and practical aspects. The current state of crisis is alimanted by the existence of an economic mechanism which doesn't stimulate the economic growth. The national and international tourism in this area, in the view of the present approach may represent a real chance in the sustainable revive of the economic growth. Regarding the touristic potential of the Danube Delta, it can be mentioned that few areas of Romania can proud themselves with such elements of natural and anthropogenic potential, but that are not

exploited enough. The natural and anthropogenic potential components of the delta environment are favorable of developing all existing forms of tourism. The used methods, such as the statistical analysis, comparative studies, and evolutionary historical method allowed the authors to conduct a complete analysis of the accommodation possibilities in the Danube Delta area. The scientific novelty of the results obtained from this research is in developing a comprehensive case study.

Key words: accommodation possibilities, infrastructure, Danube Delta, tourism

Introduction

Located in the East of Romania, in the north side of Dobrogea and also of the Black Sea coast, is one of the few European unspoiled environments and which offers to the nature lovers tourists a real quasi- exotic, a great fauna variety (basically the richest poultry fauna of Europe) and fishing opportunities (over 100 species of fish).

half (338.100 ha) belongs to what is commonly called “Danube Delta” while the remaining area is divided between the floodplain from the top of Danube (sector Isaccea – Tulcea, 9100 ha), lagoon complex Razim – Sinoe (101.500 ha), adjacent of the Black Sea (130,000 ha) to the isobaths of 20 m and maritime Danube between Cotul Pisicii and Isaccea (1.300 ha).

The total area of the Danube Delta Biosphere Reserve is about 580,000 of which more than

Table 1. The total area of the protected natural areas in Romania

Romania's Surface	23.839.100 ha
Surface of natural protected areas	1.234.608 ha
Occupied percentage by protected natural areas	5,18%
Of which: Danube Delta occupies of the country	2,43%

surface	
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Source: Law no. 5/2000 concerning the national territory

Geographical position at planetary and continental level, has a special importance, from this resulting a series of features, own both delta units and of the hydrographic basin of which outcome is.

Natural tourism resources

Relief, climate, hydrography, and fauna are physical-geographical components of the natural landscape, determined by the practice of certain forms of spa, recreation, sportive (sailing sports), leisure tourism are generators of scientific – specialized tourism (for biologists, botanists, ornithologists, ichthyology).

The relief is characterized by sand dunes on the Letea and Caraorman grounds associated, usually with a vegetation and fauna specific to these forms of reliefs, which increases the complexity and esthetic and scientific value. The coastal strip – beaches (accumulation landforms found in a continuously changing), those from Sulina, Sfantu Gheorghe, Sea gate, are the natural tourist resources, exploited directly by practicing spa tourism, physical support in the helio-marine.

Hydrography – an important component of the landscape – has a great potential through the many and various lakes (in number of almost 500, on different sizes), streams, canals, vicinity of the Black Sea; these create opportunities to

practice some forms of tourism (ex. Nautical Tourism). The abundance in fish of the lakes, canals and branches of Danube are a touristic attraction for the lovers of sportive fishing.

The climate creates ambiance for the tourism activity, but it is also a natural factor of treatment, important in prophylactic purposes. The vegetation and especially the aquatic one give a great aesthetic, scientific and ecological value of the delta landscape.

The fauna of delta is made from a variety of aquatic and terrestrial species, sedentary or migratory; is particularly noted the aqua-fauna aspect (varied with a number of 320 species of birds), because the Danube Delta is the habitat of endangered and protected species. A series of faunal elements are natural touristic resources to practice some tourism forms; the totality of the fishes that are found in the Delta generates tourism of sporting fishing.

The touristic activity in the Delta

Although the Danube Delta has great touristic resources doesn't succeed to attract too many tourists. Annually less than 2% of the flows of tourists are heading towards this area. The arrivals of tourists in accommodation reception structures with accommodation functions, after touristic destinations by type of tourists

Table 2. Touristic destinations on type of tourists (MU: Number of persons)

Touristic destinations	Type of tourists	Years				
		Year 2005	Year 2006	Year 2007	Year 2008	Year 2009
Total	Total	5805096	6216028	6971925	7125307	6141135
-	Romanians	4375185	4836196	5420968	5659416	4865545
-	Foreigners	1429911	1379832	1550957	1465891	1275590

Balneary Resorts	Total	650026	702071	742071	727942	639739
-	Romanians	613654	665734	705819	700706	617015
-	Foreigners	36372	36337	36252	27236	22724
Stations of the seaside area, exclusive the Constanta city	Total	713529	686502	796162	832589	788356
-	Romanians	625347	624690	737971	791020	756749
-	Foreigners	88182	61812	58191	41569	31607
Stations of the mountain area	Total	827952	882846	997742	998468	830943
-	Romanians	715230	786241	879036	893065	749879
-	Foreigners	112722	96605	118706	105403	81064
Area Danube Delta, inclusive Tulcea City	Total	76961	54624	73767	96090	70479
-	Romanians	54074	42835	53322	78652	54591
-	Foreigners	22887	11789	20445	17438	15888
Bucharest and the residence cities of County, excluding Tulcea	Total	2755711	2981686	3309977	3362865	2884121
-	Romanians	1736126	1965579	2166061	2262132	1904263
-	Foreigners	1019585	1016107	1143916	1100733	979858
Other localities and touristic routes	Total	780917	908299	1052206	1107353	927497
-	Romanians	630754	751117	878759	933841	783048
-	Foreigners	150163	157182	173447	173512	144

Source: <https://statistici.insse.ro/>

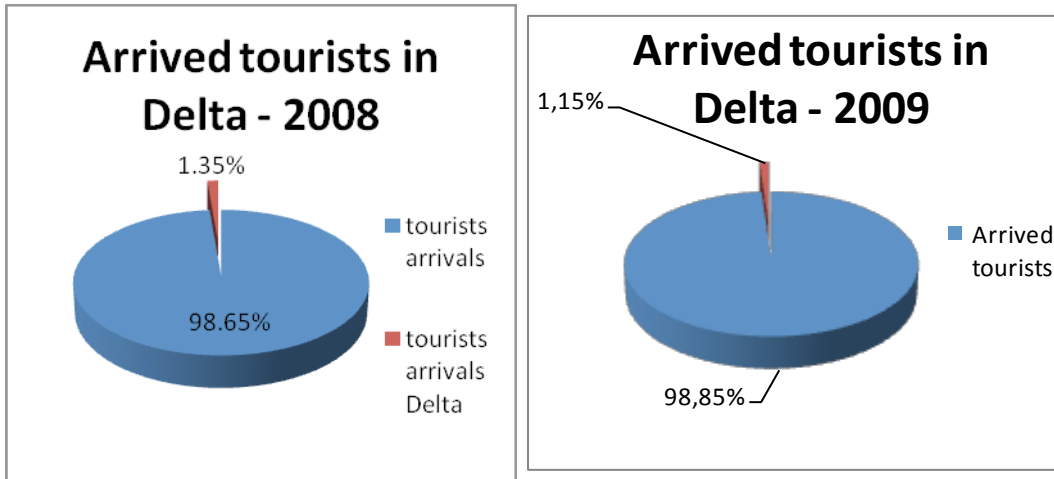


Figure 1. Arrived tourists in delta in 2008 and 2009

The world economic crisis was reflected and in the touristic activity. In 2008 from the total of tourists flow were headed towards Danube Delta 1.35%, and the next year marks a decline of 1.15%

Table 3. Night passing in the structures of touristic accommodation on touristic destinations and types of tourists

Touristic destinations	Type of tourists	Years				
		Year 2005	Year 2006	Year 2007	Year 2008	Year 2009
Total	Total	18372988	18991695	20593349	20725981	17325410
-	Romanians	14908854	15749590	17006910	17366737	14657744
-	Foreigners	3464134	3242105	3586439	3359244	2667666
Balneary Resorts	Total	5303980	5453844	5442505	5312445	4624687
-	Romanians	5155731	5311417	5284911	5207233	4532450
-	Foreigners	148249	142427	157594	105212	92237
Stations of the seaside area, exclusive the Constanta city	Total	4027178	3745810	4054625	4006420	3517860
-	Romanians	3393150	3300654	3707860	3790974	3368552
-	Foreigners	634028	445156	346765	215446	149308

Stations of the mountain area	Total	2012496	2062047	2217780	2245756	1858068
-	Romanians	1749145	1827545	1931457	1997729	1671260
-	Foreigners	263351	234502	286323	248027	186808
Area Danube Delta, inclusive Tulcea City	Total	151162	139798	145978	174355	124341
-	Romanians	105188	112091	112368	142451	94565
-	Foreigners	45974	27707	33610	31904	29776
Bucharest and the residence cities of County, excluding Tulcea	Total	5178398	5752723	6582852	6686304	5393310
-	Romanians	3118064	3660088	4170396	4307816	3467085
-	Foreigners	2060334	2092635	2412456	2378488	1926225
Other localities and touristic routes	Total	1699774	1837473	2149609	2300701	1807144
-	Romanians	1387576	1537795	1799918	1920534	1523832
-	Foreigners	312198	299678	349691	380167	283312

Source: <https://statistici.insse.ro/>

About 42.7% of the touristic accommodation capacity of Romania is found in the resorts of seaside of Black Sea, 16.3% in Bucharest and residence cities of County (excluding Tulcea), 15.7% in the balneary resorts, 11.5% in mountain resorts, 0.8% in Danube Delta and 12, 9% of the accommodation places on other routes and touristic destinations.

4. Analysis of the activity of a touristic complex

Sea Gate is a wild place, inhabited by lipovans, and attested documentary on maps since 1710. The holiday village Eden is the first holiday village from Romania classified at the category of three stars and equipped with 160 accommodation places. After almost 300 km on the road, from Bucharest at Jurilovca, then with the boat or with the fast boat, crossing the Golovitei waters, is arrived at Sea Gate tourist resort.

The society Fishery – Touring Limited Liability Company (LLC) Tulcea was involved in building a three star touristic complex, located at Sea Gate, locality located at 50 km south of Tulcea. Called “Eden” is the holiday village that has all the facilities so that it can be found in the catalogs of the most prestigious touristic companies in the world. The place on which is placed the “Eden” complex preserved its charm and naturalness that it had the sand tongue between the Golovita Lake and Black Sea.

The possibilities of accommodation address to all tastes. For those who prefer the absolute comfort, there is a complex of 15 villas quoted with three stars, having a total of 75 rooms, with own bathroom, air conditioning, modern furniture, hot and cold running water. On the beach are located 77 wooden cottages with two beds each, served by two common bathrooms, having each, hot and cold running water, all these at European standards.

The prices are accessible, especially if it takes into account that the entire complex is nestled in a wilderness of a world beginning. The famous preparation of fish contributed fully to the reputation of these places, but and the delicious meal of Romanian traditional cuisine can be served at the restaurant of holiday village.

The recreational opportunities are extremely varied, from the daily trips organized on the Delta canals to the rent of rowboats, pedal boats,

motor boats, and jet skiing, tennis and volleyball terrains. A local guide can accompany the tourists on trips, the charge for this service being established based on the preferences and trip duration.

The tourist resort Sea Gate offers to all who desire peace, clean air, crystal clear water, open horizon to the limits of each dream, and in bowl a truly fish, fresh fished of the Danube's water, are expected to visit the Resort Sea Gate.

Table 4. The evolution of the balance sheet indicators

Indicators from the balance sheet of Fishery - TOURING LLC	2005	2006	2007	2008	2009
Total fixed assets	57.783.555	55.460.559	50.815.843	48.044.045	46.677.951
Total current assets	21.668.733	17.586.840	18.819.926	11.039.351	11.828.641
Stocks	8.824.007	9.021.560	9.052.363	4.943.460	5.615.896
Cash and bank accounts	N/A	405.748	34.672	345.040	308.496
Claims	12.640.850	8.159.532	9.732.891	5.750.851	5.904.249
Total capitals	21.990.333	20.192.775	16.698.237	9.152.266	6.744.361
Equity capital	5.200	5.200	5.200	5.200	5.200
Total debts	56.450.347	51.599.742	52.937.532	49.884.893	51.762.231

Source: Doing business for managers and their companies

Analysis of the data from the table above highlights a downward trend, which fits into the general trend on worldwide.

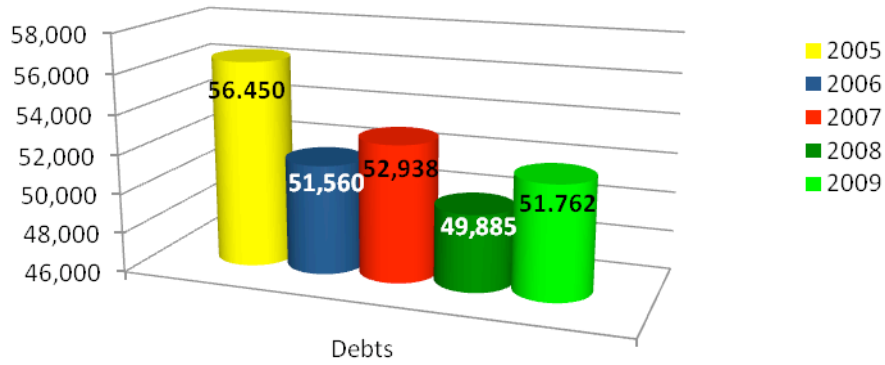


Figure 2. Evolution of debts

Table 5. Indicators from the Profit and Loss Account of Fishery – Touring LLC

Indicators from the Profit and Loss Account of Fishery – Touring LLC	2005	2006	2007	2008	2009
Turnover	13.453.409	9.140.734	7.215.818	8.594.746	9.642.966
Total revenues	18.606.711	11.601.231	10.694.233	12.346.858	10.936.217
Total expenditures	20.244.211	13.398.788	14.467.161	16.341.248	10.878.023
Gross profit	-1.637.500	-1.797.557	-3.772.928	-3.994.390	58.194
Net profit	-1.637.500	-1.797.557	-3.772.928	-3.994.390	50.861
Employees number	621	193	184	182	162

Source: Doing business for managers and their companies

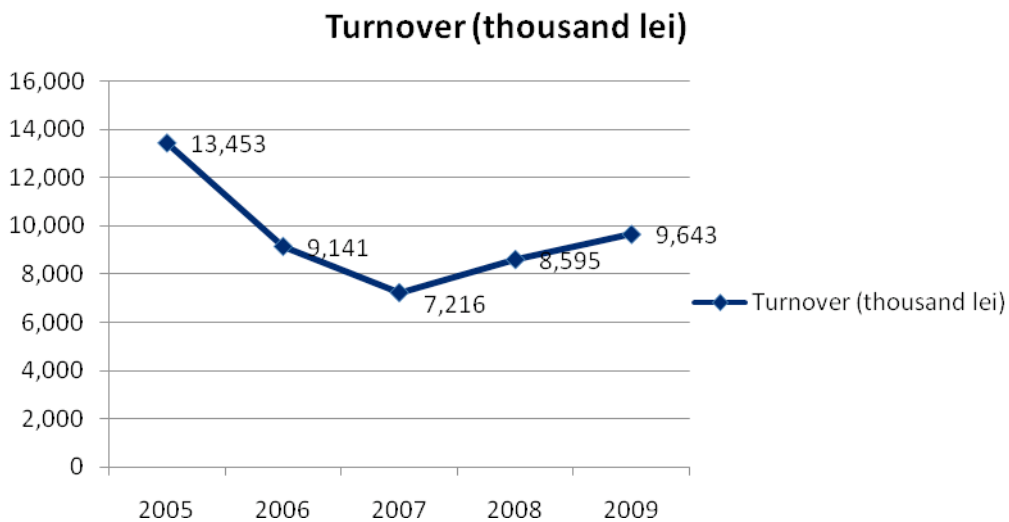


Figure 3. Evolution of turnover

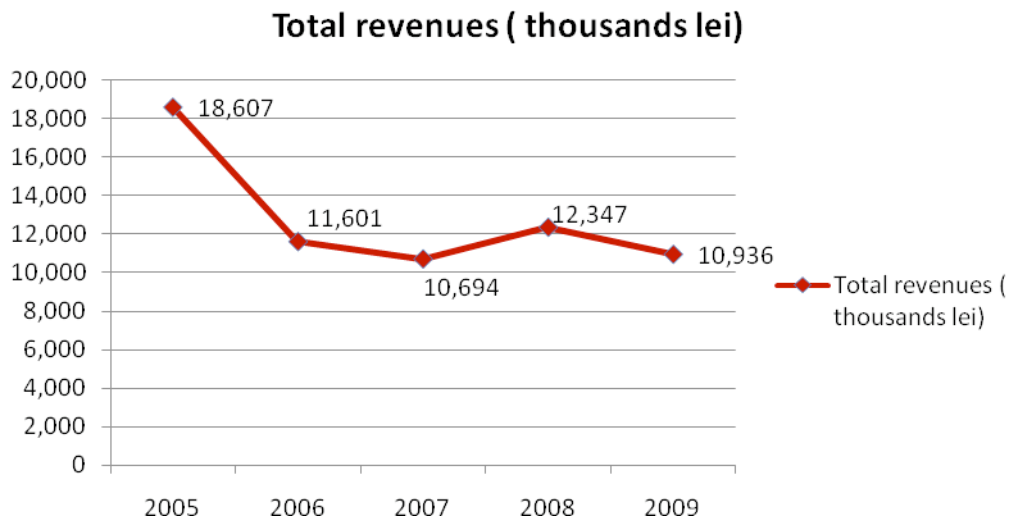


Figure 4. Evolution of total revenues

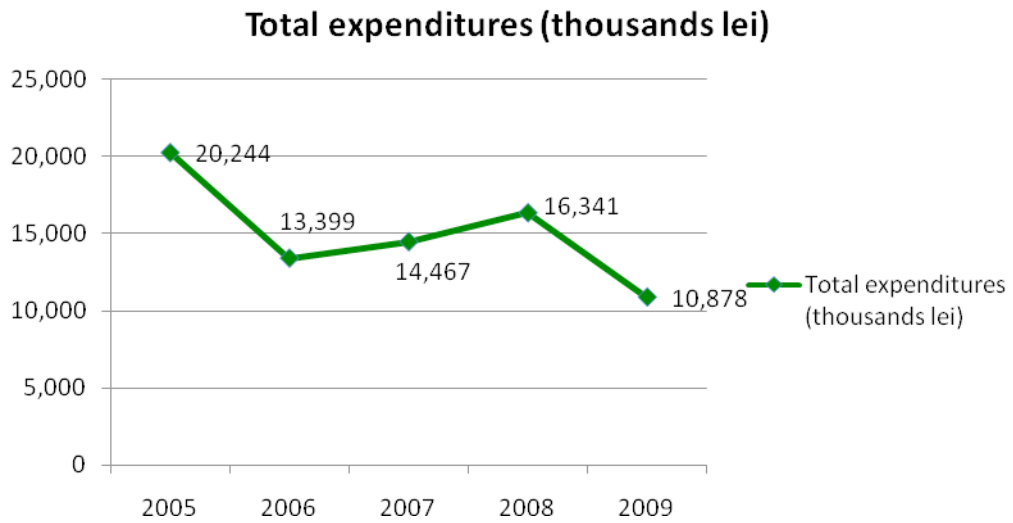


Figure 5. Evolution total expenditures

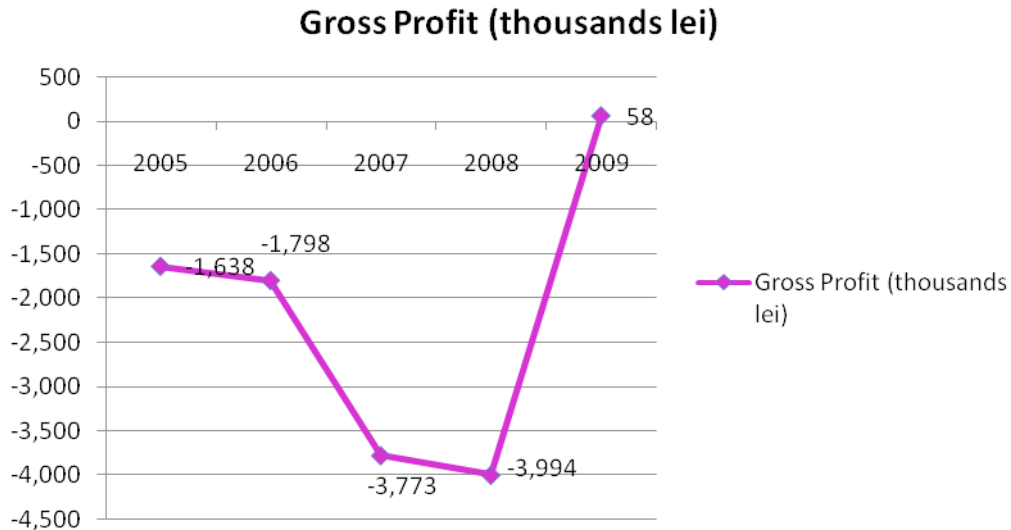


Figure 6. Evolution of Gross Profit

Conclusions

The area of Danube Delta enjoys many advantages in terms of touristic activity development. All these advantages do not depend on the general economic situation: Uniqueness and diversity of the natural landscape offered by Danube Delta and Macin Mountains

Existence of a wild beach on the seaside of the Black Sea (Sulina, Sf. Gheorghe)

Cultural and historical heritage, consisting of various objectives that have a certain touristic value: strongholds Enisala, Halmyris, Dinogetia, etc., "triangle of Orthodox Monasteries" of Tulcea – Celic-Dere, Saon and Cocos, Paleo-Christian Basilica of Niculitel – historical and artistic monuments, traditions and customs of different nationalities (lipovani, Ukrainians, turks, tartar, non Romanians), ethnographic sites, archeological, churches, museums.

Flower diversity and of terrestrial and aquatic flora, the attraction for practicing the various forms of tourism: landscape, scientific, bird watching, hunting and fishing.

Specific traditional cuisine

Possibility of practicing the tourism throughout the year

Excepting the global economic crisis situation that led inevitably to lower the touristic activity, there are and domestic factors which can seriously disrupt the flow of tourism: Limited number of tourist information centers; Reduced duration of stay; Lack of tourist guide services in many areas of the country; Reduced number of organization of tourism promoting; Low presence of tourism operators from Tulcea County at the national and international fairs; Unattractive conditions of lending for the tourism projects; Poor access infrastructure; Low level of knowledge of management concepts, legislation and unknowing the languages of international circulation by those involved in tourism; Reduced offer of complex touristic packages; Lack of marketing studies specifics to the touristic areas; Lack of specialized emergency services in the touristic areas (ambulance, fireman); Low degree of certification of the services quality in tourism; Low coverage of accommodation capacities in season

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GOLD EVOLUTION AND ANALYSIS ON THE COMMODITY EXCHANGE

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ABSTRACT

In this article we want to emphasize the evolution of the Gold, on the commodity exchange and its analysis in present. Most investors follow the evolution of a certain market to forecast its course on the chart, this being one of the most important things that must be taken into account by an investor – the history repeats itself. Therefore because of this, we studied the gold's evolution within the commodity exchange, to have a better possibility of analyzing it in the present, for greater winnings. The research method consists in using literature of specialty, using the trading program XTB Trader and using

Introduction

The commodities markets, especially the oil, gold, silver and as well as of the industrial metals like copper, zinc and aluminum prices were found in the center of the investors once with the crisis that takes place in the last years. The prices increase at the most important raw materials had a huge influence on the global economic picture.

The commodity markets are the oldest exchange in the world. Their beginnings are somewhere in the ancient era, and the first commodity exchanges can be found already in the XII century in the countries of Western Europe.

Currently the mining companies around the world estimates that the current high gold prices will maintain during 2011, according to the PwC Global Gold Price Survey. About 82% of the gold producers expect that the level of their precious metal production to increase in this year. Almost three quarters of the mining companies that are

the technical analysis through technical indicators. In conclusion, the importance of the evolution of the Gold was highlighted in the article, so we analyzed the Gold on the time frame H1 and W1, using technical analysis and candle formations. Finally it was demonstrated the importance of the Gold's history for its current and further analysis.

Key words: gold, evolution, forecast, analysis, commodity exchange

exploiting gold deposits expect that the gold's price to increase until the third quarter of 2011.

However, the current gold price is still, in real terms (adjusted to inflation) much below the level reached in 1980. The representatives of the mining companies estimate that the gold's price will range between 1.400 and 3.000 U.S. dollars an ounce, 40% of respondents estimate this value at about 1500 U.S. dollars.

Given the high demand for gold, it will be interesting to see if those mining companies who have identified gold marginal deposits will start the production in a faster rhythm than they would in a normal market condition.

The PwC survey shows that 70% of the gold producers intend to use additional liquidity obtained from the high price of gold to find some new deposits or extent the current ones to ensure a high recovery of gold reserves. The main strategies used are organic exploitation, Brownfield type (78%) meaning the expansion of some already active exploitations, organic

exploitation, Greenfield type (54%), which involves the search for new deposits of gold, fusions and acquisitions (37%).

Last year it was registered a significant increase of the transactions number in the mining sector, a trend similar to that shown in 1980 when the gold price was at the highest level. The concerns about the fragility of coins, particularly of the U.S. dollar and euro coin, contribute at the increase of the gold price. The substantial budget deficits and degree of increasingly high public sector debt in the United States and Europe put pressure on the two global circulation coins. As a result, increasingly more states are turning to the gold reserves as a substitute to keep the reserves in currency.

Research methodology

We used in research methods of technical analysis concerning the implications of the fundamental indicators which may affect the market through the element of price, by using the platform Metatrader v 4.0.

The technical analysis combines the influence of all the fundamentals that affects a market in a single element, the current price. To research, all the fundamental indicators, the investors can analyze the price movements on a graphic, knowing that the price summarizes each known factor by the market at the current moment – at least in the investors' perception. The price is the visible reflection of all the forces that are at the base of the market, as well as the limbs and branches are the visible parts of a tree while the fundamentals are the roots that feed the tree's growth.

For a better understanding of the future graphics from within this article we present the used technical indicators:

The moving average is certainly the easiest indicator to use.

The moving average is a confirmation indicator not being able to predict, being use to confirm the current trend. The moving average is of 4 types: simple moving average, exponential moving average, smoothed moving average and

linear weighted moving average. In the case study we will use only 2 types of the 4 listed above: simple moving average, exponential moving average.

Simple moving average

This moving average is calculated through the use of arithmetic average of the quotations of an instrument for a number of selected periods. For calculation there can be used different values from within a period as: opening, closing, maximum, and minimum or why not and combinations between them). For example for 12 periods the moving average is calculated by adding the values of the last 12 periods and divided by 12.

Exponential moving average

The technical analysts use such type of moving average to determine a more rapid adjustment of the current prices. This type of average reduces the present delay at the simple moving average giving a higher share in the calculation of recent quotations. The share given to the most recent quotations is determined by the number of periods used. The lower this number is, the last quotations receive a higher share.

The calculation formula of this type of moving average is the following:

$$EMA = (CLOSE(i) * P) + (EMA(i-1) * (100 - P))$$

I = current period

P = share associated with a period (as a percentage)

Both moving averages can be used as support/resistance lines. For the generation of signals for opening of positions there can be used the intersections between a short-term moving average and a long-term moving average or between the moving average and the price's chart.

MACD

It is calculated as difference between the two exponential averages. A positive value of MACD shows that the moving average on 12 periods has a higher value than that calculated for 26 periods. A negative value of MACD indicates a

lower value for the moving average calculated on 12 periods than the 26 period.

Stochastic

Developed by George Lane, the Stochastic Oscillator is a momentum indicator that shows the current position of the quotation towards the maximum/minimum interval for a certain number of periods. The closing levels that are close to the maximum of range indicates the buying pressure, and those nearby the minimum, shows the selling pressure. The value below 20 indicates overselling and those over 80 overbought. The signals are generated at decreasing fewer than 80 from the overbought area and at the increase over 20 from the oversell. The signals of taking position can be generated and by the intersection between the lines %D and %K. The intersections are still frequent and may generate false signals. The best signal is generated by the divergences that appear in the overbought zone (negative divergence) and oversell (positive divergence).

Below we have provided an analysis of gold's evolution in early 2010 for a period of 3 months. The analysis was performed on a Timeframe H4.

In January of 2010 the maximum level which the gold reached was of 1160.33 dollars per ounce, on 11/01/2010 after which followed a downward trend until the end of the month, thus giving sell signal, subsequently reaching a minimum level of 1076.12.

If in January the Gold entered strong on the market, reaching the maximum value at the beginning of the month, in February it had an upward trend during the first days after which it suffered an unexpected decrease, reaching to touch the established minimum value at 1045.60 of U.S. dollars per ounce.

The Gold market of March month has been quite volatile thereby generating several signals to buy respectively to sell. The highest price of the month was of 1143.95 U.S. dollars per ounce, the lowest price was established at the level 1084.89.

Results

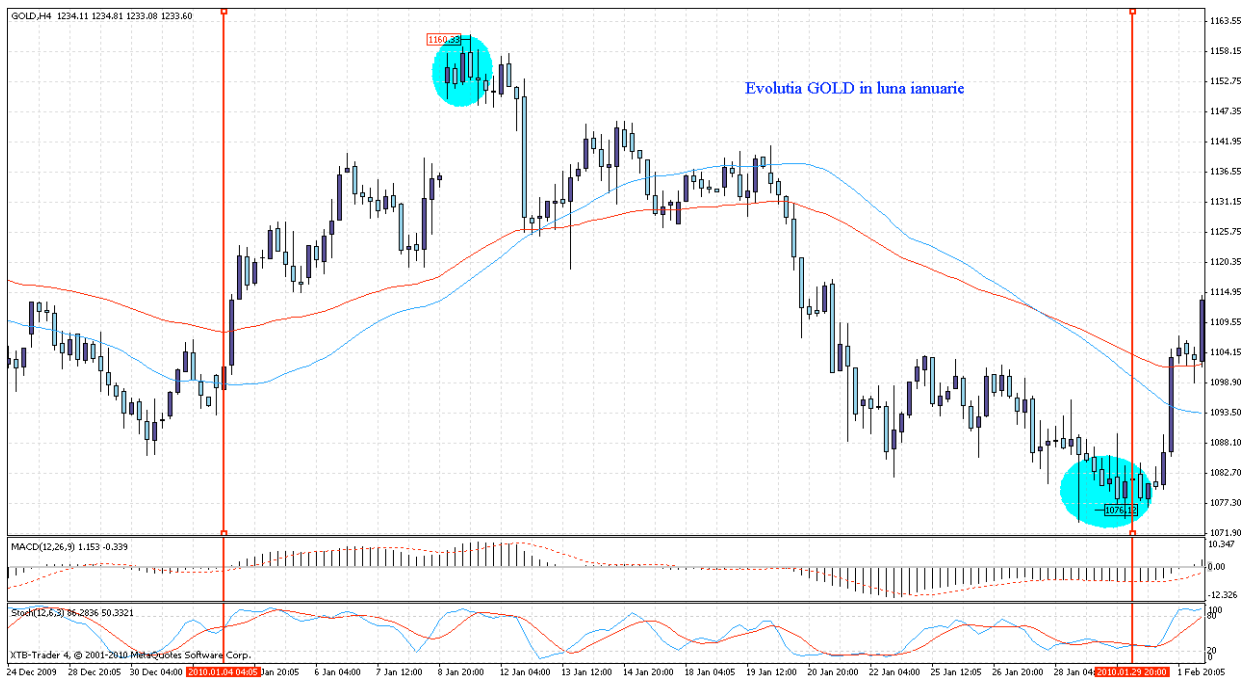


Figure 1. Gold's evolution in January 2010



Figure 2. Gold's evolution in March 2010

We had buy signals by passing the mobile line of the MACD indicator above 0 which means that there will be a growing trend. Further the sell signal was given primarily by the moving averages, the simple one passing upwards over the exponential one, thus generating a buy signal. At his the MACD indicator gave the same signal but later, by passing the mobile line under the 0 level. The Stochastic indicator was more receptive so that at every deviation of the trend it has responded accordingly generating very good signals. Towards the end of the month the first indicator that gave buy signal the Japanese Candlestick Formation called Hammer highlighted with blue on the graph, at the minimum of the market from this month.

As it can be observed from the chart below, based on the moving averages, of Stochastic indicator and of candle formations, we have strong and clear signals of buy because the price

would significantly rise. Once with the intersection of the two moving averages, passing the red one under the blue one, respective the exponential moving average (blue line), over the simple one (red line), it was generated buy signal. From the Stochastic's point of view, it indicates use the same signal by the intersection of the red line over the blue line, also giving a buy signal, a little late signal but still a very good one. Before of these signals we had a signal given by a candle formation, a reverse Shooting Star formation, highlighted with blue, which indicates the same trend of gold. Furthermore there can be observed the reverse of the trend based on the chart's intersection with the 2 moving average lines, primarily with the simple one and then with the exponential one. Once with the intersection of the chart with the second moving average the trend is for certainly downward, what actually it happened.

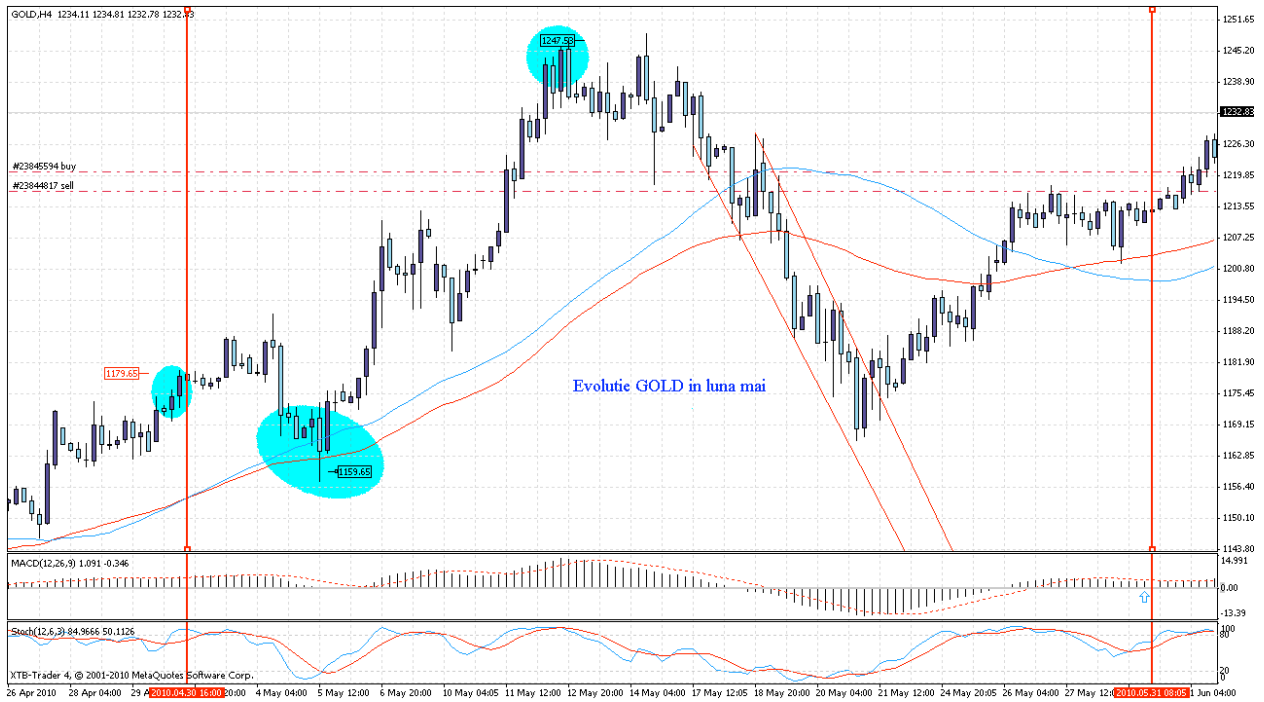


Figure 3. Gold's evolution in May 2010

On the May chart we drew a trend channel, breaking the channel line representing a changing signal of the trend's direction. The channel is a downward position, its break into the top part the quotes have climbed up to the end of the month.

increase up in the first half of the month after which it took a reverse direction being highlighted by the trend channel. Once broken the channel into the top part the quotes have climbed up to the end of the month.

The maximum quotation of the month was of 1247.58 U.S. dollars per ounce being the highest value of gold until to that date; however the minimum value was of 1157.65 U.S. dollars/ounce.

The evolution was of



Figure 4. Forecasted gold's evolution on 1 year (June 2010 – June 2011)

Last year in June it was forecasted that in this year, 2011, the gold to reach at the quotation of 1250 U.S. dollars per ounce. But considering the current intense economic activity, the price in this month already jumped this threshold and reached at a unprecedented threshold for decades, 1412.68 U.S. dollars per ounce.

In the following chart we will present the gold's evolution in January of 2011. It can be observed that the 2010 ended with a quote of 1420.07 U.S. dollars/ounce this being the peak until now, the maximum seen in the last 10 years. Of course as we stated and in the introduction, an important factor of gold's increase is and the crisis in which we find ourselves today.



Figure 5. Gold's evolution and technical analysis in January 2011

The beginning of the year was marked by the candlestick formation, shooting star and the intersection of the moving averages, the simple one (blue) passing over the exponential one (red) from the bottom to up, which gave the sell signal. In parallel and stochastic gave the same signal by lowering the lines from the overbought area located over 80 thresholds. Further there were signs at breaking the support levels and their transformation in resistance level.

Thenceforth there were formed 2 trend channels, both downward trends, being broken by the chart, continuing the downward final trend. There can be noted that we have during the month 2 breakings of the support level that were

transformed in resistance level. Within the month there were exemplified 2 candlestick formations, respective the evening star which generated a sell signal, as well as and another shooting star which continued to confirm the downward trend of gold's value.

The maximum of this period was located at the beginning of this year, and the end of the past year, of 1420.07 U.S. dollars per ounce, and the minimum situated at the value of 1312.05 U.S. dollars per ounce. It was difference of 108 pips within January, in downward trend of gold.

Further we present the gold's evolution in February 2011



Figure 6. Gold's evolution and technical analysis in February 2011

As we note in February the minimum of gold's quotation was at 1327.71 U.S. dollars/ounce and the maximum is located at 1414.20 U.S. dollars/ounce, a rise of 86.49 pips. In this month the gold's evolution was overall upward, but there were also situations in which there were reversed trends, as the one of the beginning of the month where it was tested the first support level of Fibonacci Retracement.

We can observe from the chart, that we used Fibonacci Retracements, as level lines. In the first part of the month it was tested the first level of Fibonacci as support level that has resisted, being unbroken. On 8 February it can be noted the test of the resistance level of 61.8 which was broken, but for a short time there was some recovery, after which it was tested the same level of resistance and broken again, but this time permanently, transforming the resistance in support.

On February 15 it was tested the resistance level (50 Fibo), there was a moment of hesitation after which it has continued the upward trend going forward into the next resistance level of 32.8 fibo, testing it and braking on February 16. Further the resistance 32.8 fibo was transformed also in support level, the market continuing its trend towards the next resistance level of 23.6 fibo, which was tested and immediately broken on 21 February.

Conclusions

The commodity markets are the oldest exchange in the world. Their beginnings are somewhere in the ancient era, and the first commodity exchanges can be found already in the XII century in the countries of Western Europe.

Currently the mining companies around the world estimates that the current high gold prices will maintain during 2011, according to the PwC Global Gold Price Survey. About 82% of the gold producers expect that the level of their precious metal production to increase in this year. Almost three quarters of the mining companies that are exploiting gold deposits expect that the gold's price to increase until the third quarter of 2011.

However, the current gold price is still, in real terms (adjusted to inflation) much below the level reached in 1980. The representatives of the mining companies estimate that the gold's price will range between 1.400 and 3.000 U.S. dollars an ounce, 40% of respondents estimate this value at about 1500 U.S. dollars.

The fact that history repeats itself is true, on such kind of markets; it's harder to see this phenomenon then on the forex market. At the same time this difficult times as the crisis contributed at the increase of gold's increase,

these being found a secure replacement of the country's currency. But we observed that at the beginning of 2011 the gold's price decreased in January, to a minimum of 1312.05 U.S. dollars per ounce, so that in the following month to reach back at the initial price from the beginning of the year. Therefore we can say that history repeats itself on short term, but at the same time the fluctuation of the January and February can be also considered a correction of the market.

The countries rich in natural resources may increasingly focus more towards the investments in gold to limit the strengthening of own coins and could expand the monetary mass to finance the acquisition of precious metal. The states that do not rely on the exploitation of the natural resources, but have a strong component of export, could adopt similar strategies taking into account by the fact that a lower value of the local coins would help at maintain the export competitiveness.

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EVENTS AND DESTINATION MANAGEMENT – CAR LAUNCH IN LISBON

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ABSTRACT

This paper will explore the Events industry and will characterize it as such, in particular on its conceptual definition, its organizational structure and actors, the relationship between the Tourism Industry and Events and its impacts (social, cultural, environmental, economical).

In the second and most practical part, we analyze a medium-sized event - a car launch of an international known brand for its vendors and dealers worldwide during 16 consecutive days.

The focus of this study is the impact of the event in a square located in an old district of Lisbon, known for its urban harmony and its quiet everyday life.

Introduction

Events are an integral part of our lives. They are constantly noticed in the media: internet, newspaper, television and advertisements. Currently, governments are betting on the Events and Tourism for the development of the economy of both regions and country. Aiming to attract visitors, management and marketing of destination image are essential tools in this strategy. Enterprises use Events as a key to promote and strengthen their brands and products and the increasing involvement of communities only enriches the range and variety of themes and concepts that Events can produce.

Being public space, this venue was the part of the overall program of the event that presented the greatest challenges, both in planning (communication, licensing and formal aspects), as in the operational level of the event (with daily living with the local community, media and staging of the event).

In this context, all the elements and actions involved in such process were collected and analyzed. The overall objective is to develop a screenplay for mid-sized Events in public spaces in a city.

This paper will focus on a medium size Event, a family car launch of a known brand, presented in Lisbon to its international dealers in June 2008, during 16 consecutive days. The Event moved thousands of passengers at the International Airport of Lisbon, hosted about six thousand people in a five star hotel and used in exclusivity (during that period) the Lisbon Coliseum (2.846 seats), the Cordoaria (4.000 square meters exhibition hall) and the Flores Square (a public space).

This paper will analyze the impact of this Event in the Flores Square, known for its quietness. In the square took place the informal dinner for the guests of the brand. This was undoubtedly the part of the program that presented the greatest challenges concerning the planning (communication, licensing and other formal

aspects) and the operational level of the event (daily contact with local people and media and program implementation).

Regarding the previous items, there is a set of reflections which should be done in this paper

- How to select an efficient team for this event?
- What logistical decisions have to be taken?
- What issues should be considered in the decision of implementing an event in a public space?
- What public authorities to be contacted?
- What documents are needed for organizing an event in a public space (in Lisbon)?
- What legislation is available at the local level to help agencies meet their obligations and rights?
- What safety measures must be observed? Which ones are imposed?
- What support was needed by shopkeepers and residents?
- What guarantees and compensations had to be given to the square shopkeepers and residents?

The analysis of the above questions will define the strategic and operational planning for medium size Events in city public spaces.

Events and Tourism

Currently, an Event is a tourism service in which consumers, institutional organizations of tourism, private tourism enterprises, tourism service providers and sponsors, cooperate to achieve a unique event, creating Value.

Expressions such as: event, success, result, occurrence, memorable, organization, set of activities, are part of the keywords used in many papers on the subject.

Conceptually some authors identify an event as a tourist attraction or a tourist leisure activity. It will be important first to realize the differences between these concepts.

According to Cunha (2001) a tourist attraction is any factor that causes the displacement of people out of their habitual residence, and by itself or together with other guarantees the existence of tourism activities. Recreational tourism is the set of all activities, which contribute to improve or enhance the conditions of attraction, comprehending the visitors' leisure time and the experiences arising from their stay in the visited place.

Using the previous definitions we can conclude that in the case of a tourist attraction, the event may have a role to grant it moments of uniqueness and singularity. In the case of recreational tourism, an Event may or may not be confined to its primary purpose. It can go far beyond the animation itself, assuming for example promotional purposes.

These definitions follow the concept of Event given by Jago and Shaw (1998) considering it as a unique happening or with an infrequent occurrence, limited in duration, providing consumers a time of leisure and social opportunity that go beyond the experiences of his everyday life - the Events that attract or have the potential to attract tourists, are often organized to increase the visibility, image and knowledge of a region.

To achieve the objectives of Tourism Events in a given destination, it is necessary to assign responsibilities to Events agencies, as Destination Management Companies (DMC), and/or to government organizations, however, this industry also includes other elements such as service providers.

After a detailed situational analysis, each destination must identify its competitive advantages in organizing Events. In this analysis, it is important to assess the impacts associated with the genesis of the event, which are, in general, social, cultural, economic, environmental or political.

The social and cultural impacts may enhance awareness and participation of people, broadening their horizons and exposing them to new ideas, making them feel that their territories may have other uses, or vice versa, the social and cultural impacts may create the opposition of the local community for the disturbances that an Event can cause.

Case Study

TLC - Events in Portugal was the Destination Management Companies (DMC) selected to manage the logistics of launching a new car model in Lisbon, for having submitted the highest bids, considering the received briefing:

- the host city would have to provide easy access by air and not many bureaucratic processes for about 5.600 guests, aged 25 to 55 years, coming from 93 countries;
- to accommodate 400 people per night (for 16 consecutive nights) in a five star hotel,
- to provide venues for conference and social gathering;
- to select roads that would enable a good experience to test-drive.

The global event started at the Lisbon International Airport where daily, about 350 people arrived from different countries. The team welcoming the participants was responsible for solving any problem at the airport (as lost luggage) and for the guests transfer to the 5 star hotel.

A cocktail followed the check-in in the hotel. After it the participants were transported to the Lisbon Coliseum where the Business Meeting would last about 2 hours, between 17.00 to 19.00, consisting in the new car model launching and in the presentation of the financial results of the International Automobile Brand.

Around 19H00 the participants were taken to the Flores Square where dinner would be served. Dinner was half buffet and guests could choose between the terraces of the local restaurants (working exclusively for the Event) or cozy corners in the square; the Portuguese gastronomy experience was complemented with various entertainment and music.

Up 22H30 there were buses available to transport guests back to the hotel, ending the dinner at 00H00.

On the second day, the morning began with the transfer to the Cordoaria (4.000 square meters exhibition hall), where about 90 cars were lined up to go for the test drive. The itinerary covered various types of roads and breathtaking scenery. Returned to the Cordoaria a buffet lunch (international gastronomy) was served and after it the guests were taken to the airport (transfers out).

At the same time about 350 people would arrive at the Lisbon Airport and the entire program was repeated during 16 consecutive days.

The Flores Square

The Flores Square is an urban area with about 1000 m² located in an old neighborhood of Lisbon, where the dinner of the Event took place daily, involving:

- decoration of tables for cocktail and tables on the terraces;
- colorful lighting environment;

- uniforms for employees matching with the colors of the exposed cars and with the environment of the Square;
- Kiosk illuminated and decorated with newspaper, providing drinks for guests on the terrace around;
- a lounge area with low couches and candle lanterns at a corner of the garden;
- all restaurants located around the square and their terraces working exclusively for the Event,

- contributing for an experience of Portuguese cuisine;
- entertainment with alive music and dancing.

In terms of logistics on site is summarized in Table 1 all concerns which should be managed daily for the evening/dinner Event.

Table 1 – Daily logistic in Flores Square

Before Dinner (17H00/19H00)	Closing the Square to non-residents' traffic	Exposure of the new car models	Placement of fences and cleaning of the Square and amenities	Scenario setting	Managing the staff entrance
	Dinner for staff	Artists rehearsals	Tests of light and sound	Catering preparation	Extra security at the entrance
	Arrival of paramedics	Distribution of Walkie talkies	Check of the rented apartments for artists	Briefing the operational team	Management of transit and arrival of buses
During Dinner (19H00/24H00)	Management of the participants arrival	Management of queues at the buffet stations	Management of empty seats on the restaurants terraces	Cleaning management	Catering control and supervision
	Management of the Security (venue and people)	Control of schedules to accomplish the licenses			
After Dinner (24H00/01H00)	Management of buses departures	Disassemblies and cleaning of the area	Loading of production and scenarios materials	Removal of fences	Last cheking to ensure the normal functioning of the Square the next day until 17.00

Although the processes for licensing and implementation of this project/Event had been exhaustive in this paper we'll only refer the most important steps:

January / February 2008: Communication of the Event to the City Council of Lisbon - Câmara Municipal de Lisboa (CML) – obtainment of authorizations for the event at the (CML) and at

Parish Council - Junta de Freguesia das Mercês (JFM).

March/April: Licensing various parts of the project/Event; definition of recovery of the Square garden; contacts door to door with local population and shopkeepers; extensive information about the Event including mention of exclusivity use of Square restaurants and authorized parking facilities up 17H00; analysis of catering logistical issues; supply of water and electricity; rental of apartments for artists and back stage equipment; finding solutions for staff meals.

May/June: Square garden recovery; painting of kiosk, low walls, handrails and banks; street paving; cleaning the fountain and walls; replacement of stairs and stones missed matches (this work was always accompanied by CML officers); delivery of parking cards and invitation letter to the residents of the Square (for the first and last night of the Event).

July: Post event – final arrangement of the Square green space and equipments; written thanks to all involved together with a bottle of a wine labeled with the logo of the Event; small ceremony to “give back” the restored Square to the local community, JFM and CML.

Venue Requirements - Use of Public Space

As the Flores Square is a gardened public space and a residential area it was essential to comply with a set of requirements to be able to use it as a venue for the Event.

As it was referred before, the Event was firstly communicated to the City Council (CML), more specifically to the Tourism Department. The responsible for that Department informed TLC Events that licenses had to be obtained in the City Department of Urban Environment - Direção Municipal de Ambiente Urbano – charged for managing the environment, public space and green spaces.

In fact it became a long and bureaucratic process evolving many City Council Departments, as it is listed:

Department of Public Space Management - Departamento de Gestão do Espaço Público (DGEPE)

Identification of the main organizers/sponsors and Events agency;

Description of the Event;

Event program referring the dates for equipment assemblage, technical rehearsals, and equipment dismounting;

Sketch demonstrating the environment to create in the Flores Square, including a map for the Venue restricted area;

Extended concept of the Event including the description of the planned entertainment and respective back-up structure in case of rain;

Plan for the equipment and gardens restoration of the Flores Square (later accompanied by an officer from the Department of Environment and Landscape);

Plan for the equipment deployment, such were the tent for catering support, the stage, the bar, the terraces, the buffet stations and the area for cars display;

Plan for security and policing the Square;

Plan for the reservation of Square 24 parking spaces and the closure of some accesses, considering alternatives to the local community;

Plan with the itineraries for buses (not forgetting that the Venue took place in an old neighborhood where the streets are relatively narrow), the staff, artists and catering itineraries (only considering the main suppliers because there were many more involved);

Requirements for using some Flores Square equipment, such were public toilets, kiosk, phone booth, fountain, water supply points (under supervision by an officer from the Department of Environment and Landscape), electrical power (under supervision by an officer from the Department of Construction and Maintenance of Mechanical and Electrical Installations);

Plan for the garbage recollection from the Flores Square;

Plan for the signage, advertising and presentation of the car brand;

Description of Flores Square shopkeepers participation in the Event;

Statement about the Event to the local community and respective declaration of no objection;

Letter from TLC Events stating the formal request to the Department of Public Space Management;

Copy of all insurance contracts, assuring that none of the compulsory was missing;

Department of Environment and Landscape - Gardens Division

Flores Square Garden Restoring Program - authorization and definition of responsibilities;

Request for water supply for irrigation of green spaces and plan for everyday cleaning

Plan for assembling the technical equipment without damaging the green spaces.

Municipal Direction for Economic Activities - Direcção Municipal de Actividades Económicas (DMAE)

Request of license to operate an itinerant entertainment, involving handling and food manufacture;

Description of facilities and equipment in the rented apartment which served as a regeneration area for catering;

Request of license for the daily concerts in the Square.

By indication of DGEP (the Department of Public Space Management) contacts were established with the Parish Council (JFM), since a favorable opinion to implement the project would depend from it. The JFM is closer to the residents and shopkeepers, knowing their needs and sensitivities; in fact their agents followed the whole project and their opinions were always respected. They were also an important element in defining the plan for the Square restoration.

Apart from licensing it was necessary to ensure essential services (described in previous paragraphs); mentioning only the main suppliers: Building enterprise to restore the Square equipments; Garden Maintenance enterprise to redesign the Square green spaces; Police to regulate traffic and for surveillance of the 24 parking spaces; Catering enterprise; Security enterprise; Cleaning enterprises (Square and apartments); Laundry services; Square restaurants working exclusively for the Event; Tourist Guides and Hostesses; Transportation of clients and staff.

Event Social Impacts

To measure some of the social impacts took place, one year after the event, a survey to Square shopkeepers (many living in the neighborhood). The obtained response was 60% from the possible universe of respondents.

Among the most relevant results it was found that:

83% of shopkeepers had a positive opinion of the Event before its achievement, 17% were hesitant about it - these results remain the same in the post-event assessment;

for 17% the general information about the event was very well conveyed, to 66% was transmitted satisfactory and to 17% was poorly transmitted;

about the benefits of the Event, 66% highlight the restoration of Square and also 66% emphasized the projection of Lisbon as a tourist destination;

as less positive factors, 50% indicate the small involvement and participation of the local community in the Event, 17% found that the local community shopped less in the Square during the Event.

about the willingness to receive a new event of equal size/dimension, 68% was very receptive to it, against 32% who showed some doubts or are not willing to repeat the experience.

Regarding the institutions and agents linked to the achievement of the Event we collected the following opinions:

The JFM (Parish Council) stressed the daily presence of a representative (employee) from the DMC (TLC Events) in the Square in order to respond promptly to any arose problem; also the quality of the transmitted information about the Event among the local community was underlined.

The CML (City Council) assessed the Event in a positive way, despite the problems caused by the occupation of public space for a month (including assembling and disassembling); considered of particular relevance was the projection/promotion of Lisbon and the restoration of the Square sponsored by TLC Events.

The TLC-Events highlights the bureaucratic and slow licensing process which required strong commitment from the team, stressing that these disadvantages were overcome by the results with the restore of the Square and the positive feedback from local community, mainly from shopkeepers who demonstrated a willingness to repeat the experience.

Chapter IV - Final Conclusions

This paper focused the launching of a new car model in Lisbon, namely the organization and management of the "Evening Event" in the Flores Square.

It was intended to set the strategic and operational planning of such an Event, to inventory logistics of an Event in public space, to list the legal issues, to study the advantages and disadvantages of using public space for local communities.

Regarding the theoretical framework we found a considerable number of studies about Events planning and management, however, most case studies focus on musical Events, cultural and sporting Events. There are few studies that address the business Events therefore the relevance of this paper

In this paper our concern was mainly to gather and to organize the available material related to

the described Event, namely at the planning and operational level.

To complement the referred data the Square shopkeepers were inquired and the representatives from the institutions linked to the Event were interviewed. These objectives were achieved because all institutions and 60% of the shopkeepers accepted to answer our questions.

We confirmed in this paper that the Events industry is based in a system that is divided by type and size, as each Event arises from the variable mix of management of a program, its objectives and configuration and its audience. We should add that the Events industry has its own actors and impacts and also that nowadays Tourism industry uses the Events to promote destinations and to increase tourism growth.

To implement an Event three major phases should be considered: the plan, the operation/execution (on site), the post-event (handover).

In the considered case study, the Event began with a briefing from the client, which contextualized the Event, pointing out its type, size, concept and main objectives.

This document was presented to several DMC which shared brainstorming with the client (car brand) and accepted inspection visits, before being submitted to competitive pitch which should include proposals and budgets.

After analyzed and evaluated the proposals, Lisbon was chosen to be the host city and TLC Events the local agent for the Event organization. Up this point, the client and the Events production international company worked together with TLC to develop the Event program. As one they defined the strategies to choose definitively the venues and all kind of service providers.

Considering the "Evening Event" the fundamental was to fulfill the clients' objectives having in mind the budget and the licenses which could be obtained to organize the Event in a public space.

Meeting the considerations raised in this paper's introduction, we should stress again that the success of an Event is strongly linked with the

choice of the people to be involved in the preparation and execution of the Event and that these should be selected according their expertise. The operating team must demonstrate strong leadership skills combined with good physical preparation, being imperative to work with passion throughout the whole process.

In addition we should have the same level of concern in the choice of service providers who must be deeply informed and involved in the nature and objectives of the Event.

Regarding the logistics is extremely important to take into account the characteristics and requirements of the Event physical space. As a public space has usually serious and specific determinants, we suggest checking the actual feasibility, availability and infrastructures, before the first inspection visit.

For organizing a successful Event in a public space it is necessary: to plan it timely; to communicate it to the competent institutions; to inform constantly the local community about the Event's development; to present counterparts as the restore of the public place; to appeal to the understanding of residents for the nuisances (such as accessibility, street blockages, noise or littering), presenting alternative solutions to their problems. It is crucial in minimizing the problems to be aware and to respect the daily routines of the local population; otherwise they will not feel confidence in the DMC or will feel that the legacy, the restore of Square, will be worthwhile.

The existing legislation (in Lisbon), which regulates issues related to the occupation of public space, is poorly suited to the realm of corporate Events; in fact it is thought for fairs, markets, newsstands sales and trading activities in public areas. Many of the requirements/licenses had to be adapted to this Event, based on the collective common sense.

Having the organization of the described Event in mind, we suggest that a city which wants to be promoted through Events, mainly in public spaces, should review its entire licensing process. Also the creation of a specific office/department in the City Council to ensure the licensing process would encourage DMC to organize Events in that city.

Summing up, this paper seeks to demystify the apparent easiness of planning an Event in a public space but above all to demonstrate that the private sector, under the umbrella of Tourism Events, can contribute to improve the proud of local communities though the restore of their public spaces.

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TESTING THE CULTURAL UNIVERSALITY OF YOUNG-ADULT CONSUMER PURCHASE DECISION-MAKING STYLES: EMPIRICAL RESULTS FROM TURKEY, MALAYSIA, KAZAKHSTAN AND EGYPT

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Abstract

In the context of the global socio-economic convergence young-adult consumers are believed to be one of the most homogenous consumer segments in today's global consumer market, sharing a common culture as global citizens. Our paper explores and tests this assumption within four geographically and culturally diverse Muslim national contexts. The paper aims to make an empirical and theoretical contribution to the issue of universality vs. contingency of purchasing decision-making factors and styles of young-adult consumers (15-30 years old) across four Muslim countries, which have previously never been researched in a multi-country study of this type. The research looks at the importance of brands, quality, price, information and time in the decision-making process of young-adult consumers. The results support previous research on the importance of brands and price, but also highlight several important differences across the four countries.

Key words: Young-adult consumers, consumer behavior, purchase decision making, Muslim countries

1. INTRODUCTION

In the marketing literature culture has increasingly become to be understood not only as a marketing mix environmental 'constraint', but as a "pervasive influence which underlines all facts of social behavior and interaction" with profound implications for marketing theory and practice (Craig & Douglas, 2006, p 323). On the one hand, international business and

international marketing disciplines have come to understand culture as the "silent language" of doing business and marketing outside one's own country (Hall, 1973), and one of the "big questions" for both research and practice in these areas (Buckley & Lessard, 2005). Hence, the international business and international marketing disciplines are increasingly moving away from culture as a mere backdrop for standardization-adaptation decisions, towards a more substantive understanding of the interaction between culture and consumer behavior. Yaprak (2008, p 216; cf. Nakata, 2003) even suggests that "culture study may become a leading theory in international marketing research."

On the other hand, consumer research has followed the evolution path of cultural understanding to see culture not simply as a source of consumer behavior variation, but first-and-foremost as a "lens through which the individual views phenomena" (Craig & Douglas, 2006, p 323; cf. McCracken, 1986). In both cases exponential globalization processes in many ways further challenge our research and understanding of the culture-consumption interaction across all consumer segments, but particularly among the new generations of globalized teens and young-adult consumers. While the first apocalyptic predictions of the demise of local markets and unique consumer segments go back almost 30 years (Levitt, 1983; Merz, He & Alden, 2008), others see local markets and consumer cultures keeping and strengthening their uniqueness (Alden, Steenkamp & Batra, 1999; Merz, He & Alden,

2008). In the middle of these two opposing views, glocalization (Ritzer, 2004) echoes as a hybrid form of marketing and socio-economic reality, providing an interesting research context for consumer behavior.

The paper addresses the question of cultural universality of consumer behavior and decision-making processes in a particular non-western regional cultural context (Liefeld, Wall & Heslop, 1999), among a very particular consumer segment. In addition, the paper further extends a growing body of research on young-adult consumer behavior in the marketing literature in recent years (Xie & Singh, 2007; Cardoso & Pinto, 2010), which is still heavily under-researched (Wong, Polonsky & Garma, 2008). Lastly, the paper also addresses the issue of the interaction between culture and the decision-making process of young-adult consumers. Here, Doran (2002, p 824) points out that while "several distinct philosophies seem, at least implicitly, to underlie current research on consumer-decision making... ..much of the research seems to ignore the impact of culture."

The purpose of the paper is to apply the five factor decision-making model for young-adult consumers (aged between 15 and 30 years) proposed by Fan & Xiao (1998), and to analyze how these factors vary (or are universal) in their importance between young-adult consumers from the four selected Muslim countries. Having said this, the first objective of the paper is to apply and evaluate the 'usefulness' of Fan & Xiao's (1998) young-adult consumer decision-making model from China, when extended to four different national contexts.

2. THE CONSUMER DECISION-MAKING PROCESS AND STYLES

Lysonski, Durvasula & Zotos (1996, p. 10) point to "many attempts to profile" consumer decision-making styles in order to "understand a consumer's shopping behavior so as to use this as a counseling advice" and to increase marketing, segmentation and advertising

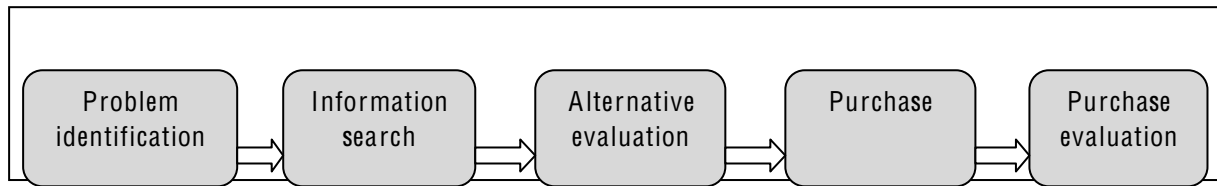
effectiveness. In this view Sproles (1985, p. 79) has provided an extensive definition of the consumer decision-making style as "a patterned, mental, cognitive orientation towards shopping and purchasing, which constantly dominates the consumer's choices" and followed it by saying "these traits are ever-present, predictable, central driving forces in decision-making." Bennett & Kassarian (1972) have in turn proposed that these cognitive and affective responses are relatively stable and consistent.

According to Lysonski, Durvasula & Zotos (1996) the Sproles & Kendall view of consumer decision-making styles has come to be known as the consumer characteristics approach (Sproles, 1985; Sproles & Kendall, 1986; Sproles & Sproles, 1990) and has become the dominant approach with regards to either the psychographic and lifestyle approach (Wells, 1974; Lastovicka, 1982) or the consumer typology approach (Stone, 1954; Darden & Ashton, 1974; Moschis, 1976) within the consumer behavior theory.

Building on the identification of over 50 elements shaping consumers' cognitive and affective orientations towards shopping Sproles & Kendall (1986, p. 276) defined the consumer decision-making style as "a mental orientation characterizing a consumer's approach to making choices" and outlined a pioneering 40 item Consumer Styles Inventory (CSI) model delineating eight consumer decision-making styles which include: (1) quality conscious (perfectionist), (2) brand conscious, (3) fashion and novelty conscious, (4) hedonic consumption, (5) impulsive, (6) confused by overchoice, (7) price conscious, and (8) brand-loyal (habitual) style.

While the CSI has become the dominant and 'preferred' typology of choice in measuring and comparing consumer decision-making styles, one has first to understand the basic phases and characteristics of the 'generic' consumer purchasing decision-making model depicted in Figure 1.

Figure 1: The 'generic' consumer purchasing decision-making model



Source: Solomon, Bamossy, Askegaard & Hogg, 2010.

The model shows the consumer decision-making process starting with the recognition of the problem (need and want awareness). This is followed by searching for information about possible alternative and evaluation of these alternatives. After this is completed, a purchase takes place, followed by post-purchase evaluation of the purchased product or service.

Applying the CSI typology to the eight different consumer decision-making styles, these differ mainly in the areas of searching for information, evaluating alternatives and purchasing. Within a particular decision-making style different sets of criteria are used to evaluate the possible alternatives, where such criteria can be more utilitarian (i.e. quality) or hedonic (i.e. novelty) (Babin & Harris, 2009).

However, in spite of the wide employment and validation of the CSI typology, first on an individual country level and later in across a few multi-country samples (see Mokhlis & Salleh, 2009, p. 575-576 for an overview), these studies have in most cases produced “varying portions of the original CSI factors while none of them reproduce all eight completely” (Mokhlis & Salleh, 2009, p. 576). This seems to support the view that western-based theoretical frameworks inadequately capture the contextuality and behavior in non-western contexts.

With regards to consumer decision-making styles cognitive, emotional and/or motivational differences have been also explained by cultural differences (Markus & Kitayama, 1991). In particular, Walsh, Mitchell & Thurau (2001) have not only emphasized the original recommendations by Sproles & Kendall (1986) of testing the CSI across different populations and contexts, but also outlined an essential need for cross-validations within the same populational and/or cultural contexts for claiming any sort of generalizability. In terms of studying consumer

decision-making styles among young-adults in Muslim countries only limited individual country-level empirical work has so far been independently conducted in Turkey (Gonen & Osemete, 2006; Kavas & Yesilada, 2007) and Malaysia (Mokhlis & Salleh, 2009; Wan et al., 2009). In addition, while a few studies have extended their research on consumer decision-making styles to multi-country settings (i.e. Lysonski, Durvasula & Zotos, 1996; Leo, Bennett & Härtel, 2005) these studies have either examined culturally very different contexts, not i.e. a group of countries with a similar religious background. This paper thus consequently fills several empirical gaps with regards to previous empirical evidence in this field. It first extends the limited number of multi-country studies in the field of consumer decision-making styles of young-adults, and further positions itself between the extremes of single country-level examinations and completely heterogeneous country contexts. While sharing a common religious background, these four Muslim national contexts (Turkey, Malaysia, Kazakhstan and Egypt) are relatively diverse in terms of their historic, socio-economic and geographical backgrounds. This offers a unique opportunity of analyzing the role of culture and variations in consumer decision-making styles across a ‘cluster’ of countries, which lie between total heterogeneity of previous multi-country studies and high homogeneity of a group of neighboring countries with high degrees of cultural similarity.

Table 1 presents a short comparison between Turkish, Malay, Kazakh and Egyptian national cultures using Hofstede’s national cultural differences framework. As can be seen from the corresponding comparison Malay culture is characterized by the highest level of power distance, not just within this comparison, but overall across all compared cultures within Hofstede & Hofstede (2005). While Egypt and estimates for Kazakhstan are almost identical,

Turkey displays the lowest level of power distance among the four compared countries. On the other hand however, Turkey scores highest on uncertainty avoidance, while Malaysia scores lowest. Among the compared countries Malaysia seems to be the most collectivist culture, while the level of individualism is relatively highest in Egypt. In terms of the dominance of masculine

values in a given culture, these are almost identical (moderate) across Egypt, Kazakhstan and Malaysia, while slightly lower for Turkey.

Table 1: Comparison of Turkey, Malaysia, Kazakhstan and Egypt across Hofstede's cultural dimensions

	Turkey	Malaysia	Kazakhstan*	Egypt
Power distance (PDI)	66	104	n/a (~ 79)	80
Uncertainty avoidance (UAI)	85	36	n/a (~ 55)	68
Individualism (IDV)	37	26	n/a (~ 32)	38
Masculinity (MAS)	45	50	n/a (~ 51)	52

Source: Hofstede & Hofstede, 2005 (on a scale between 0 and 125); *While the data for Kazakhstan is unavailable the values in brackets represent estimations for all Muslim countries (Hofstede & Hofstede, 2005).

Linking particular cultural dimensions to specific consumer decision-making styles higher levels of power distance are associated with a higher importance of signaling social status and prestige (Hofstede, 2001; Leo, Bennett & Härtel, 2002, Ho, 1976). This in turn corresponds to assigning higher importance to brands, as a means of signaling one's social status.

Hypothesis 1: The importance of brands, as a consumer decision-making factor, will be significantly higher in Malaysia and significantly lower in Turkey, compared to Egypt and Kazakhstan.

Similarly, a price conscious decision-making style is associated both with higher levels of power distance (Leo, Bennett & Härtel, 2002), as well as a more collectivistic society (Ho, 1976; Zhou & Nakamoto, 2001; Leo, Bennett & Härtel, 2002).

Hypothesis 2: The importance of price, as a consumer decision-making factor, will be

significantly higher in Malaysia, compared to Turkey, Egypt and Kazakhstan.

In terms of quality consciousness, higher levels of the importance of quality have been associated with higher levels of power distance, since quality can be used as a signaling tool for prestige and social status as well (Hofstede, 2001; Ackerman & Tellis, 2001). It is usually also strongly connected to the importance of brands. In addition, the importance of quality refers to the ability of consumers to differentiate between various hierarchies of quality (Sproles & Kendall, 1986), which can also be extended to social hierarchies and the role of social status (Leo, Bennett & Härtel, 2002).

Hypothesis 3: The importance of quality, as a consumer decision-making factor, will be significantly higher in Malaysia and significantly lower in Turkey, compared to Egypt and Kazakhstan.

Lastly, Sproles & Kendall (1986) associate the recreation conscious decision-making style with

hedonism, and the perception of shopping as pleasure and fun. Linking hedonic shopping with the importance of time (as a decision-making factor) Leo, Bennett & Härtel (2002, p 41) posit how “culture is not expected to influence the experienced pleasure of shopping but rather types of shopping pursued.”

Hypothesis 4: There will be no significant difference across the four compared countries on the importance of time, as a consumer decision-making factor.

3. YOUNG-ADULT CONSUMERS AND THEIR DECISION-MAKING

Since the 1960s and 1970s young-adults have been increasingly drawing the attention of marketers as a new and ‘viable’ marketing segment (Moschis & Moore, 1979; Douglas & Craig, 1997). This interest has emerged not only due to considerable purchasing power associated or mobilized by this consumer segment (McNeal, 1999), but also due to the influence of young-adults on the purchasing patterns of people surrounding them (Armstrong & Kotler, 2000; Grant & Waite, 2003). The segment(s) of young-adult consumers is (are) additionally particularly interesting for marketing theorists and practitioners, since young people spot and shape market trends (Zollo, 1995) and can represent a high potential in terms of life-time consumer loyalty (Feldman, 1999). In summary, Grant & Waite (2003) outline four reasons for marketing’s growing interest in young-adult consumer over the recent decade (Xie & Singh, 2007; Cardoso & Pinto, 2010):

As adolescents, young consumers not only form their personalities, but also seek to establish their own consumption patterns, as part of their own identity as future adults (Holbrook & Schindler, 1989).

Young people act as powerful opinion leaders for their surrounding social environments.

They act not only as trend conduits, but also as socio-cultural ‘change agents’ (Leslie, Sparling & Owen, 2001).

With increased economic autonomy, decision-making and purchasing power (Cardoso & Pinto, 2010) young adults are increasingly becoming a powerful spending group (Moschis, 1987; Grant & Waite, 2003).

Despite this reasons the area of young-adult consumer behavior is not only heavily under-researched (Wong, Polonsky & Garma, 2008; Cardoso & Pinto, 2010), but also lacks stronger empirical (Cardoso & Pinto, 2010) and generalizable evidence (Arnold & Reynolds, 2003). With regards to specific characteristics of young-adult consumer decision-making styles Cardoso & Pinto (2010) have found several segments among the population of Portuguese young-adult consumers which can be segmented along five hedonic dimensions (pleasure and gratification, social shopping, idea shopping, role shopping, value shopping) and two utilitarian dimensions (achievement and efficiency). Overall, the results offered by Cardoso & Pinto (2010) show relatively high levels of hedonic shopping behavior among young-adult consumers.

In an extensive study of young Pan-European consumers from four European countries (France, Spain, Italy and Germany) Ganassali et al. (2007) have shown that price, as an economic antecedent, is seen as the biggest determinant of young-adult consumer decision-making. Within the emotional antecedents, fashion, image and brands have been also shown to significantly complement the role of price, as a determinant of young-adult consumer decision-making. Here, Herbst & Burger (2002) have also shown the effectiveness of personality-endorsed advertising among young-adult consumers (Zollo, 1995; Martin & Bush, 2000). While functional antecedents associated with brands, convenience and quality seem to be less important vis-à-vis economic and emotional aspects, the reoccurring prevalence of branding also within the functional aspect shows brands also as functional attributes, relating to quality (Zollo, 1995) and reliability of products (Ganassali et al., 2007).

With regards to information sources and information processing Ganassali et al. (2007) show two groups of external influences. The first one may again be linked to both emotional and

functional dimensions of decision-making with celebrities, advertisements and friends as important information sources. In particular, due to larger amounts of free time, young-adult consumers tend to engage in higher levels of hedonic consumer behavior (Cardoso & Pinto, 2010), as well as spend more time following various types of media and social media (Li, 2007). The second group of external influences outlines older siblings, partners, parents and experts as important external decision-making influencers. Both groups are consistent with the observation by Achenreiner, (1997), who has pointed to high levels of within-group communication, mirroring itself both in pre-purchase decision-making and post purchase information dissemination of young-adult consumers and their reference groups.

In terms of country and product effects on young-adult consumer decision-making patterns Ganassali et al. (2007) not only shown varying segments of young-adult consumers across four largest European markets, but also how young-adult consumer decision-making is strongly based on specific product types. Adding to this, young-adult consumers in general tend to display relatively low ethnocentric tendencies (Wong, Polonsky & Garma, 2008).

4. DATA AND SAMPLING

The data was collected from 384 respondents, aged between 15 and 30 years old, from Malaysia (28.4 per cent), Turkey (27.3 per cent), Kazakhstan (26.8 per cent) and Egypt (17.5 per cent) in 2010, using the validated questionnaire employed originally by Fan & Xiao (1998) among Chinese young-adult consumers⁴. Table 2 summarizes key sample characteristics across all four countries.

⁴ The Fan & Xiao (1998) questionnaire represents a five factor decision-making model for young-adult consumers, developed based on the original the CSI model (Sproles & Kendall, 1986).

Table 2: Key sample characteristics

	Turkey		Malaysia		Kazakhstan		Egypt	
Number of respondents	105		109		103		67	
Gender (male/female)	41.9%	58.1%	43.1%	56.9%	37.9%	62.1%	67.2%	32.8%
Average age (standard deviation)	23 years (4.5)		22 years (2.6)		24 years (3.5)		25 years (4.7)	
Share of urban population	96.2%		94.5%		93.2%		86.6%	
Share with at least 2 year finished university degree	54.3%		78.0%		79.6%		79.1%	

In terms of the sampling method a convenience snow ball sample was used through an online survey, disseminated electronically through various social media sites and encouraging respondents to forward the survey to other contacts, aged between 15 and 30 years old in the specified countries. When interpreting the results the nature of the sampling procedure should be carefully considered. Having said this, while the sample may not be fully representative of all young-adult consumers in Turkey, Malaysia, Kazakhstan and Egypt, it represents a sizable portion of this population, which has access to the internet, extensively utilizes various social media sites and tends to belong to middle and/or higher economic segments with adequate purchasing power to be of interest for purchasing decision-making research of this nature.

Table 3: Reliability statistics (n=384)

	Brand conscious	Time conscious	Quality conscious	Price conscious	Information utilization
Cronbach alpha	0.63	0.64	0.78	0.68	0.73

Cronbach alpha values for the purified multi-item constructs ranged between 0.63 (brand) to 0.78 (quality) and all exceed the critical value of 0.6. All subsequent analyses are thus performed on the purified version of the Fan & Xiao (1998) questionnaire.

5. RESULTS

5.1 Construct reliability

In line with the objective of first testing the original Fan & Xiao's (1998) questionnaire in a Muslim setting the initial Cronbach alpha reliability statistics proved to be unsatisfactory and some below the recommended critical value of 0.6 (Hair et al., 1998). Because of this, the original Fan & Xiao (1998, p. 283) questionnaire was purified. This was done by eliminating all the items with factor loadings ≤ 0.5 (14 items out of 31 items). Table 3 summarizes Cronbach alpha reliability statistics across the five purified decision-making factors.

5.2 Importance of specific decision-making factors

With regards to the importance of specific decision-making factors and the ordering of these factors across the Turkey, Malaysia, Kazakhstan and Egypt Table 4 presents the means and standard deviations for the whole

sample, as well as broken down for particular country.

Table 4: Means and standard deviations (in brackets) for specific decision-making factors

	Joint sample	Turkey	Malaysia	Kazakhstan	Egypt
Quality	4.91 (1.10)	4.65 (1.15)	5.17 (0.89)	4.92 (1.10)	4.88 (1.24)
Price	4.55 (0.89)	4.66 (0.86)	4.83 (0.83)	4.41 (0.75)	4.14 (1.03)
Brand	4.24 (0.89)	4.15 (0.74)	4.29 (0.89)	4.21 (0.89)	4.38 (1.08)
Time	4.18 (1.04)	4.23 (0.97)	4.35 (0.99)	3.94 (1.02)	4.21 (1.18)
Information	3.88 (1.05)	3.96 (1.10)	3.90 (0.99)	3.76 (1.08)	3.91 (1.05)

Note: Measured on a 7-point scale, where 1 corresponds to the lowest level of importance and 7 to highest level of importance.

With regards to price it is the most important decision-making factor among young-adult consumers in Turkey, while ranking only fourth in Egypt. In turn, brands are the second most important decision-making factor in Egypt, while the third in Turkey and Kazakhstan, and fourth in Malaysia. Time, as a decision-making factors is most important in Malaysia and Egypt (third place), and least in Kazakhstan. Lastly, information is the least important among the five decision-making factors across all five countries, but relatively least important in Kazakhstan.

As can be seen from the corresponding mean values in Table 4, overall quality is ranked highest in importance among the decision-making factors, followed by price and brand. In terms of the importance of specific factors across individual countries quality is evaluated as the most important in Malaysia, Kazakhstan and Egypt, while second most important in Turkey.

With regards to the four proposed hypotheses at the beginning of the paper Table 5 summarizes the results of their testing.

Table 5: Summary of hypotheses testing

Hypotheses	Result	Commentary
Hypothesis 1	Not confirmed	Brands are most important in Egypt, least in Turkey. No statistically significant differences among the four countries.
Hypothesis 2	Partially confirmed	Price most important in Malaysia, significantly higher than Egypt and Kazakhstan, but not Turkey.
Hypothesis 3	Confirmed	The difference between Malaysia and Kazakhstan is significant only within one tail testing.
Hypothesis 4	Not confirmed	Significant differences between Turkey and Kazakhstan, and Malaysia and Kazakhstan.

The only hypothesis to be fully confirmed was Hypothesis 3, relating to a statistically significant link between level of power distance and the importance of quality as a decision-making factor among young-adult consumers. In addition, with quality being ranked in three out of four countries the most important decision-making factor corresponds also to results of Ganassali et al. (2007). The second hypothesis to be at least partially confirmed is Hypothesis 2. It relates to the link between power distance and collectivism, and the importance of price as a decision-making factor. The strong connection between price and quality in Turkey, as well as in Malaysia and Kazakhstan shows young-adult consumers basing their consumer decision-making on

'quality at competitive price.' This aspect has also been emphasized with respect to young-adult consumers by recent work of Cardoso & Pinto (2010) among young-adult Portuguese consumers.

5.3 Cultural universality of young-adult decision-making

With regards to universality of young-adult consumer decision-making factors Table 6 displays partial eta square (η_p^2) statistics as effect size estimators (Howell, 1992), given the relative homogeneity and comparability of the four country samples on key socio-economic characteristics.

Table 6: Effect size of culture and decision-making factors

	Price	Quality	Time	Brand	Information
Partial eta square	0.077	0.032	0.022	0.008	0.05
Significance	0.000	0.007	0.034	0.368	0.577
Culture effect size	7.7%	3.2%	2.2%	0.8%	0.5%

As can be seen from the corresponding table culture appears to have the highest level of effect size with regards to price, followed by quality and time. However, as partial eta square testing may lead to misinterpreted results and can be prone to overestimating actual effect sizes (Levine & Hullett, 2002), we have calculated Cohen's d statistics for price, quality and time in order to provide a more robust solution (see Sapp, 2006 for an overview). Overall, Cohen's d statistics supported the results of partial eta square testing for moderate effect sizes for factors of price and quality, but not time, which showed to be borderline statistically significant within partial eta square testing, but not based on Cohen's d statistics. In addition to this, the effect sizes for both factors of price and quality were slightly lower, compared to results obtained from partial eta square testing, as is often expected. Despite this, both statistical procedures for estimating effect sizes did indicate a significant degree of cultural contingency in decision-making across

the four compared countries connected to price and quality as consumer decision-making factors among young-adult consumers.

6. MARKETING IMPLICATIONS AND CONCLUDING THOUGHTS

In terms of marketing implications the results indicated a strong 'triangulation' between quality, price and branding as the three most important consumer-decision making factors among young-adult consumers in Turkey, Malaysia, Kazakhstan and Egypt. The first marketing implication should thus imply strong quality-at-a-good price positioning, as a winning marketing strategy among young-adult consumers. Several successful examples, like the Spanish fashion giant Inditex (Zara) or the UK-based Virgin mobile, give merit to such a strategy and its results among young-adult consumers. However,

as our analyses have also shown, while quality in many ways seems to be a universal decision-making factor, pricing is much more culturally contingent. This implies a more careful consideration of pricing issues, tailored to specific regional and even country specifics.

A third implication for marketing implies a multidimensional nature of quality, as a decision-making factor. It seems that young-adult consumers evaluate quality not only as a generic product or service attribute, but also as closely intertwined with pricing and value, as well as branding and promotion. Quality thus seems to be a complex decision-making factor in our studied samples. As the recent work by Cardoso & Pinto (2010, p 554) has shown several types of young-adult consumers have emerged over the recent years (i.e. involved shopper, pragmatic shopper, moderate shopper, dynamic shopper, and social shopper). In particular, the authors outline the profile of social young-adult shoppers as an "attractive" retail segment. Cardoso & Pinto (2010, p 554) describe this segment as: "This consumer is more traditional but likes to shop, to search for bargains, socializing with others, and shopping for others. Retailers can satisfy these consumers by presenting the good price/quality equilibriums." We believe our results complement these findings and in turn show how forming appropriate price/quality equilibriums should not entail only appropriate "promotional activities based on price" but a much more complex triangulation of quality, price and branding (promotion). Furthermore, as obtained results on decision-making styles of young-adult consumers in this and other studies indicate, the dividing line between utilitarian and hedonic consumer behavior among young-adult consumers seems to be converging towards a hybrid form of pragmatic utilitarian hedonism.

Our results have shown a moderate degree of interplay between culture and decision-making styles, with power distance and level of collectivism being associated with varying degrees of the importance of quality and prices, as two key decision-making factors among young-adult consumers. In addition, the

importance of brands, as the third most important decision-making factor shows quality being perceived among young-adult consumers in these countries (and probably overall) not just as a one-dimensional construct, but closely linked to both pricing and branding dimensions, as already indicated by previous research by Ganassali et al. (2007). Despite this, however, young-adult consumers may indeed be seen 'global citizens', but this by no means implies they are also sharing either a common consumer culture, nor having universal decision-making styles, but resembling a hybrid version of consumer globalization.

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EARNINGS MANAGEMENT AND TRADE-OFF BETWEEN TAX SAVINGS AND REGULATORY SCRUTINY – THE CASE OF SLOVENIAN PROPERTY INSURERS

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1. INTRODUCTION

ABSTRACT

Every company wants to be financially sound and to pay as little taxes as possible at the same time. Financial soundness is especially important for insurers as long-term financial stability is required to keep regulatory approval to underwrite insurance. This paper tests two hypotheses. First hypothesis is that Slovenian property insurers overestimate provisions for claims outstanding and, consequently, reduce net income in order to reduce tax liability. Second hypothesis claims that financially weaker Slovenian property insurers underestimate provisions for claims outstanding in order to enhance apparent solvency. Since regulatory and tax reporting are closely linked, both goals cannot be met at the same time. I use regression model to determine whether Slovenian property insurers manage provisions for claims outstanding to achieve tax savings or to avoid regulatory intervention. Results suggest Slovenian property insurers' underestimate provisions for claims outstanding to enhance apparent financial stability. On the other hand it cannot be proven that Slovenian property insurers overestimate provisions for claims outstanding in order to reduce income tax burden.

Key words: *insurer, earnings management, income tax savings, regulatory scrutiny*

Throughout the history, company's financial strength is one of the most important factors as it affects the availability of financial resources as well as confidence of customers and suppliers. This is particularly true for insurers as long-term financial stability is required to keep regulatory approval to underwrite insurance⁵. Vast majority of financial jurisdictions, including United States, European Union, Japan, as well as other in terms of insurance market less developed countries, use some form of frequent regular solvency control with immediate equity increase requirements in case of detected increase in insolvency risk. It is no surprise, insurance companies will do anything, including manage earnings, to avoid regulatory scrutiny. Numerous studies have confirmed, financially weaker insurers tend to manage provisions for claims outstanding (and hence earnings) to enhance the apparent solvency (see for example Petroni, 1992; Adiel, 1996; Penalva, 1998; Gaver & Paterson, 2004).

Even though the regulatory scrutiny seems to be the most obvious incentive for earnings management in insurance companies, myriad other incentives were identified for earnings management in any company, not restricted to insurers only, included but not limited to (a) *management compensation* (Healy, 1985; Dechow & Sloan, 1991; Skinner, 1993; Gaver,

⁵ For detailed analysis of reasons for this arrangement see Clark, 1979.

Gaver & Austin, 1995; Guidry, Leone & Rock, 1999), (b) *management-buy-outs* (DeAngelo, 1988), (c) *equity offerings* (Teoch, Welch, Wong, 1998), (d) *lending covenants* (Healy & Palepu, 1990; Sweeney, 1994; DeAngelo, DeAngelo & Skinner, 1994; DeFond & Jiambalvo, 1994) and (e) *tax avoidance* (Dhaliwal & Wang, 1992; Guenther, 1994; Cloyd, Pratt & Stock, 1996; Penalva, 1998; Petroni & Shackelford, 1999). Diverse incentives usually require different outcome of earnings management, therefore it is no surprise only few studies investigated more than one earnings management incentive at the same time. On the top of it these studies are typically limited to nonfinancial companies only (see Scholes, Wilson & Wolfson, 1990; Hunt, Moyer & Shevlin, 1996; Beatty, Chamberlain & Magliolo, 1995; Dhaliwal & Wang, 1992; Bartov, 1993). Hardly any studies examined earnings management behavior of insurance companies in the setting, where conflicting incentives collide (Petroni, 1992; Penalva, 1998; Beaver & McNichols, 1998; Gaver & Paterson, 1999). Furthermore, already scarce studies are limited to developed countries in terms of insurance industry and capital markets, while less developed countries, even though more interesting in terms of incentive power, remain unexplored.

In the setting where reporting for tax purposes is directly linked to reporting for regulatory purposes, both objectives – enhanced solvency and low tax liability – cannot be met simultaneously. Namely, financially stable insurers have relatively low claims expenditure, low provisions for claims outstanding and consequently higher earnings, which lead to higher income tax burden. Insurers who manage provisions for claims outstanding to enhance apparent solvency must in turn take higher tax burden. On the other hand if insurer's goal is to achieve tax savings, part of his solvency will have to be sacrificed. In such settings question arises which goal is more important? While Petroni (1992) find no evidence of earnings management to reduce tax burden, Panalva (1998) find financially strong insurers are more motivated by tax reduction, while incentive to appear solvent dominates behavior of financially weak insurers. Gaver & Paterson (1999) claim

incentive to reduce taxes depends on tax regulation – where tax burden is higher, incentive is stronger and can even dominate incentive to appear solvent.

Slovenia, as a country where general-purpose, tax and regulatory reporting are traditionally tightly linked, and as a country with relatively high corporate income tax rate⁶, represents an ideal setting for investigation whether incentive to appear solvent dominates tax reduction incentive even when tax rates are relatively high. Besides, Slovenia as a small country presents a research challenge to examine the behavior of a small and highly diversified sample of insurance companies.

Our results show financially weaker Slovenian property insurers, who underwrote property insurance in the pre-crisis period (from year 2001 to 2004), were motivated to enhance apparent solvency. On the other hand it cannot be proven that Slovenian property insurers manage earnings to reduce corporate income tax burden.

2 PROVISIONS FOR CLAIMS OUTSTANDING

Besides Slovenian Insurance Act (Zakon o zavarovalništvu) Slovenian insurers followed Slovenian Accounting Standards (Slovenski računovodski standardi) for general-purpose, tax and regulatory reporting till 2007⁷. According to Slovenian Accounting Standards provisions for claims outstanding are estimated property insurer's liabilities for claims that occurred up to the balance sheet date but have not yet been paid. They consist of the claims which were already reported but not yet settled, and also of

⁶ In the study period tax rate is 25%.

⁷ Now, Slovenian insurers report under IFRS, which define provisions for claims outstanding the same as the Slovenian Accounting Standards.

the claims which were not even reported, however it is very likely that they will be met in the subsequent reporting periods (Slovenian Accounting Standards (2006), 2005, 32.62).

In foreign literature provision for claims outstanding is referred to as the only significant mechanism of insurers' earnings management (Petroni, 1992; Penalva 1998; Gaver & Paterson, 1999). Namely, the formation of provisions for claims outstanding directly influences insurers net income, takes a lot of subjective judgments, and the volume of these provisions is significant (see Table 1 for details). Despite existence of numerous actuarial models (Chain-ladder method, Bornhuetter-Ferguson method, Bootstrap methods - to name a few), it is almost impossible to objectively assess which of those models is best (i.e. gives truest results) assessing the size of liabilities for incurred but not yet solved claims. This issue is particularly acute by assessing the claims of the so-called long tail insurance, where a decade or more may pass between the occurrence of the damage and the redress.

3 HYPOTHESIS DEVELOPMENT

Hoogendoorn (1996) examined the relationship between reporting for tax purposes (tax reporting) and reporting aimed at the general public (general-purpose reporting). He divided countries in two categories: those where tax reporting is relatively independent of general-purpose reporting, and those where tax and general-purpose reporting are closely linked. Until 2006 Slovenia belonged to the latter as revenues and expenditures reported under Slovenian Accounting Standards represented the basis for determining the income tax. Article 27 of Slovenian Corporate Income Tax Act (Zakon o davku od dohodkov pravnih oseb) emphasized that formation of technical provisions is a fully deductible expense, but only to the amount requested by the Slovenian Insurance Act. However, Tax Administration of Republic of Slovenia (Davčna uprava Republike Slovenije) doesn't have the authority to question height of provisions for claims outstanding if this height was approved by Slovenian Insurance

Supervision Agency (Agencija za zavarovalni nadzor). Since Agency's goal is to prevent provisions' understatement, not overstatement, it can be assumed that overestimation of provisions for claims outstanding almost always pays off in terms of tax savings.

Shifting tax obligations to the future always increases the net present value of the company. Underestimation of claims outstanding on the other hand decreases insurer's operating expense, increases profit and current tax liability. The result is a cash outflow and reduction of insurer's net present value. Lower net income brings tax savings but also a growing dissatisfaction among insurer's owners, who obviously want to maximize their return on investment (Eilifsen, Knivsfla and Soettem, 1999). Therefore, first hypothesis, written in alternative form, is:

Hypothesis 1: Slovenian property insurers overestimate provisions for claims outstanding and, consequently, reduce net income only if this results in tax savings.

Slovenian insurers have to report current capital adequacy data to Slovenian Insurance Supervision Agency on a quarterly basis. If required solvency capital is higher than available capital, insurer is labeled as financially unstable. Financially weak insurer is not allowed to pay out dividends and a series of other measures to increase the capital have to be carried out immediately. If necessary, additional capital has to be paid in. Since claims amount and provisions for claims outstanding are the input in the calculation of required solvency capital, it is quite possible that financially weaker insurers tend to underestimate those two categories (and simultaneously overestimate net income) to avoid regulatory scrutiny. Second hypothesis, written in alternative form, is:

Hypothesis 2: Financially weaker Slovenian property insurers underestimate provisions for claims outstanding and therefore increase net income.

As both hypotheses predict diametrically opposite behavior, regression model is used to test them.

3 RESEARCH MODEL

The purpose of the regression model is to test the influence of financial (in)stability of the Slovenian property insurer (Hypothesis 2) and its tax burden (Hypothesis 1) on provisions for claims outstanding. Dependent variable is therefore a change in provisions for claims outstanding (CIPCO). However, since the sample of Slovenian insurers is extremely heterogeneous, change in provisions for claims outstanding is controlled by insurer's total assets at the beginning of the year to eliminate scale effect and heteroskedasticity (problems identified by Easton and Sommers, 2003, and Barth and Kallapur, 1996).

Change in provisions for claims outstanding of property insurer i in year t ($CIPCO_{i,t}$) is expressed as:

$$CIPCO_{i,t} = (\text{provisions for claims outstanding of insurer } i \text{ in year } t - \text{provisions for claims outstanding of insurer } i \text{ in year } t-1) / \text{total assets of insurer } i \text{ in year } t-1$$

Effective tax rate (ETR) is a proxy for property insurer's tax burden (Hypothesis 1). Various insurers have various options to use tax relief. Insurers who are able to use large amounts of tax relief have lower tax burden compared to insurers who are not able to use them. Former find it easier to underestimate provisions for claims outstanding and subsequently manage earnings upwards compared to the latter who need to pay income tax for every raise in earnings.

Effective tax rate of property insurer i in year t ($ETR_{i,t}$) is expressed as (see Dhaliwal, Gleason and Mills (2004):

$$ETR_{i,t} = \text{tax paid by insurer } i \text{ in year } t / \text{pretax earnings of insurer } i \text{ in year } t$$

Effective tax rate has some drawbacks. It is entirely possible that company has a negative pretax earnings, but at the same time – due to the large volume of nondeductible expenses –

positive taxable income. Such company would be incorrectly labeled as a company with low tax burden because of the negative effective tax rate. Effective tax rate is therefore commonly used only on companies with positive pretax income (see for example Gupta, Newberry, 1996). In our case all property insurers who reported pretax loss didn't pay income tax so effective tax rate can be used as a proxy for tax burden of all property insurers in the sample.

Property insurer's financial (in)stability in current period (FINIS) is measured by taking into account changes in insurer's called-up capital in a subsequent period. Insurer's financial (in)stability (Hypothesis 2) is extremely difficult to observe directly due to the unavailability of data used to calculate insurer's current capital adequacy. However, Slovenian Insurance Supervision Agency requires that financially unstable insurer rapidly increases capital – normally, during the next year. Therefore increase in called-up capital is a good proxy for insurer's financial instability. If called-up capital is unchanged, we assumed insurer is financially stable, although we are aware this is not necessarily the case as insurer can take other measures to enhance financial stability (other measures are listed in Insurance Act, Article 181). Again, as Slovenian property insurers are extremely heterogeneous regarding their size, change in called-up capital has to be scaled.

Financial (in)stability of the property insurer i in year t ($FINIS_{i,t}$) is therefore calculated as:

$$FINIS_{i,t} = (\text{called-up capital of insurer } i \text{ in year } t + 1 - \text{called-up capital of insurer } i \text{ in year } t) / \text{total capital of insurer } i \text{ in year } t.$$

Financially unstable insurers have $FINIS_{i,t}$ greater than zero, financially sound insurers equal to zero, insurers **withdrawing from the market** less than zero.

There are nondiscretionary reasons provisions for claims outstanding can change, so the model contains two control variables. First control variable is change in written premiums (CIWP). Provisions for claims outstanding can change with business size: the greater the insurer's size (measured with written premiums), ceteris

paribus, higher provisions for claims outstanding could be expected. Variable is again scaled due to large heterogeneity of the sample.

$CIWP_{i,t} = (\text{premiums written by insurer } i \text{ in year } t - \text{premiums written by insurer } i \text{ in year } t-1) / \text{premiums written by insurer } i \text{ in year } t.$

Second control variable is the natural logarithm of written premiums (LnWP) measured at constant (2005) prices. Variable controls for change in provisions for claims outstanding, which is affected by the insurer's size (see Petroni, 1992). Due to the law of large numbers large property insurer is able to estimate provisions for claims outstanding (especially provisions for incurred but not yet reported losses) more accurately than small property insurer. Distribution of insurers' size (measured by written premiums) is positively skewed, so natural logarithm of written premiums is used.

Regression model can be written as follows:

$$CIPCO_{i,t} = \alpha_t + \beta_1 CIWP_{i,t} + \beta_2 FINIS_{i,t} + \beta_3 ETR_{i,t} + \beta_4 LnWP_{i,t} + e_{i,t}.$$

We anticipate positive regression coefficient on property insurer's tax burden (ETR) and change in insurer's business size (CIWP). We assume property insurers with higher tax burden, *ceteris paribus*, overestimate provisions for claims outstanding in order to manage earnings downwards. At the same time we expect that property insurer's growth (measured with growth in written premiums), *ceteris paribus*, increases provisions for claims outstanding.

On the other hand, we anticipate negative regression coefficient on property insurer's financial (in)stability (FINIS) and property insurer's size (LnWP). We assume financially unstable property insurers underestimate provisions for claims outstanding and consequently manage earnings upwards. At the same time we assume that with the same growth in written premiums large property insurers can assess incurred losses more precisely (due to the law of large numbers) and are therefore allowed to build less provisions for claims outstanding compared to small property insurers.

4 SAMPLE DATA

Sample data for this study comes from population of Slovenian property insurers, who underwrote insurance from year 2000 to 2005. The period from year 2000 to 2005 was chosen for several reasons:

This is the period deeply prior the onset of the financial crisis. This way we eliminated the influence of either excessive growth in capital markets (prior the crisis) or increased insolvency risk in whole Slovenian economy (during financial crisis).

This is a period of stable insurance, tax and financial reporting legislation in Slovenia. During this period provisions of Slovenian Insurance Act didn't change, directives of Slovenian Insurance Supervision Agency stayed the same, income tax rules didn't change and all general-purpose reporting was made according to Slovenian Accounting Standards, introduced in year 2000.

During this period tax and general-purpose reporting in Slovenia were closely linked. In 2006 deferred taxes were introduced – since then expenditures reported for general purpose accounting do not necessarily represent the basis for determining the income tax.

In 2007 Slovenian insurers transfer to IFRS reporting; although IFRS provisions for insurance provisions' reporting are the same as were in Slovenian Accounting Standards, provisions for reporting financial instruments differ and therefore influence financial (in)stability assessment.

In Slovenia 16 insurers were allowed to underwrite property insurance from year 2000 to 2005 or at most 12 insurers per certain year. For each insurer we have 6 observations at most, together we have 60 firm-years observations. Financial statements and annual reports of those insurers were obtained from the database of the **Agency** of the Republic of Slovenia for Public Legal Records and Related Services (AJPES).

5 EMPIRICAL RESULTS

5.1 DESCRIPTIVE STATISTICS

Table 1 show descriptive statistics for net income, provisions for claims outstanding, capital, income tax expense, written property insurance premiums at constant (2005) prices.

As a proxy for average annual rate of inflation we used consumer price index (CPI), since it is a widely accepted measure of inflation in Slovenia (Statistical Office of Republic of Slovenia, 2010).

Table 1: Descriptive statistics for individual variables, expressed in constant (2005) prices, for Slovenian property insurers

Year	n	Mean	Std. deviation	Coefficient of variation	Min	Q ₂₅	Median	Q ₇₅	Max
<i>Net income</i>									
2000	8	328	1 236	3,77	-1 650	-124	242	618	2 799
2001	9	-992	2 475	2,49	-6 763	-1125	-289	157	2 023
2002	9	-723	1 098	1,52	-844	196	645	840	2 864
2003	10	371	1 163	3,14	-1 868	-213	394	1 148	2 329
2004	12	491	857	1,75	-435	-40	213	754	2 823
2005	12	999	2 075	2,08	-2 050	-52	160	2 138	5 856
60									
<i>Provisions for claims outstanding</i>									
2000	8	10 489	21 038	2,01	417	515	2326	7 906	62 002
2001	9	10 849	20 131	1,86	552	597	4510	6 525	62 851
2002	9	11 218	20 521	1,83	404	724	4263	7 233	64 335
2003	10	10 863	20 388	1,88	70	882	2847	8 189	66 730
2004	12	9 938	20 910	2,10	0	199	1404	9 061	74 067
2005	12	11 600	24 800	2,14	21	734	1596	10 300	88 258
60									
<i>Capital</i>									
2000	8	3 034	4 655	1,53	165	595	1441	2 901	14 234
2001	9	2 507	5 567	2,22	-3 289	-128	1394	1 960	16 428
2002	9	7 028	12 335	1,76	733	1283	2669	4 618	39 558
2003	10	7 340	13 805	1,88	787	1023	2833	4 528	45 848
2004	12	7 752	15 990	2,06	96	1029	2334	4 889	57 146
2005	12	8 749	17 300	1,98	240	1243	2920	5 960	61 963
60									
<i>Income tax expense</i>									
2000	8	37	69	1,89	0	0	0	59	175
2001	9	88	198	2,25	0	0	0	0	579
2002	9	277	726	2,62	0	0	0	111	2 203
2003	10	208	588	2,83	0	0	0	100	1 877
2004	12	139	285	2,04	0	0	22	163	994
2005	12	332	847	2,55	-567	-34	52	325	2 671
60									
<i>Written property insurance premiums</i>									
2000	8	12 890	23 521	1,82	251	561	2 974	13 198	69 518
2001	9	13 260	23 507	1,77	399	668	4 921	10 952	74 016
2002	9	13 681	24 894	1,82	325	650	4 146	11 141	78 047
2003	10	12 955	24 318	1,88	0	552	2 904	12 212	79 324
2004	12	11 685	24 088	2,06	0	274	1 033	12 403	84 768
2005	12	12 800	25 700	2,01	0	474	1 148	14 200	90 400
60									

Note: Except for coefficient of variation, which is a relative number, all other values are in millions of Slovenian Tolars. In the calculation of descriptive statistics of static accounting

categories (provisions for claims outstanding and capital) their value at the end of each year is taken into consideration. Net income, income tax expense, and written property insurance premiums are deflated on the assumption that they are fully recognized on the last day of the year (see Swiss Re, 2007).

Descriptive statistics in Table 1 prove our sample consists of property insurers of significantly different sizes. This dispersion is even more problematic due to small sample size.

Also, table 1 shows impressive developments in the Slovenian property insurance market between years 2000 and 2005. This was a period of real growth in the net income and capital (referring to the mean). At the same time, property insurers are getting more and more heterogeneous - variability (coefficient of variation) of provisions for claims outstanding and written property insurance premiums has risen over study period. There are two main reasons:

Three small insurers entered Slovenian property insurance market. Impact of this entry is shown in drastic reduction of minimum value and median of provisions for claims outstanding in years 2004 and 2005.

Slovenian property insurance market was constantly growing during study period; however mostly largest property insurers benefited from this growth (see increase of upper quartile of written property insurance premiums).

Sample is highly positively skewed: largest property insurer wrote almost 60 percent of all written property insurance premiums in 2005 in Slovenia, on the other hand eight smallest property insurers wrote only 3 percent of all written premiums in the same year. Following Petroni (1992) it is therefore necessarily to use scaled variables in the regression model.

5.2 MULTIVARIATE REGRESSION RESULTS

Regression model is tested on the panel of property insurers, who wrote insurance premiums from year 2001 to 2004. Years 2000 and 2005 are lost, as for certain variables data from preceding (successive) year are needed.

Several assumptions can be made regarding panel data analysis. Two most common assumptions are (Wooldridge, 2003, pp. 462-473):

fixed effects model,

random effects model.

Fixed effects model assumes change in provisions of claims outstanding of individual property insurer is constant over time. That means the change in provisions of claims outstanding should be at least partially dependent on specific characteristics of individual insurer (such as conservative estimation of provisions). On the other hand random effects model assumes change in provisions of claims outstanding is random over time even at the level of individual insurer.

We used Hausman test to identify which assumption is more accurate for our sample. The value of the Hausman test is 4,05, therefore we use random effects model to estimate regression model, since it is more effective than fixed effects model. Results are shown in table 2.

Table 2: Estimated coefficients from regression on dependant variable (change in provisions for claims outstanding) for Slovenian property insurers between years 2001 and 2004, using random effects model

Variable	Coefficient	Z-stat	P
Constant	-0,2508	2,99	0,003
CIWP	-0,0168	-0,77	0,441
FINIS	-0,0096	-2,07	0,039
ETR	-0,0585	1,05	0,292
LnWP	0,0162	3,28	0,001

$n = 35$, $R^2 = 0,3541$, $s_e = 0,0328$

Notes: CIWP – Change in premiums written, FINIS – Financial (in)stability, ETR – effective tax rate, LnWP – natural logarithm of premiums written at constant (2005) prices.

As expected, insurer's higher financial instability is an incentive to underestimate provisions for claims outstanding, resulting in lower current operating expense and therefore higher net income. It can be concluded that less financially stable Slovenian property insurers who underwrote property insurance from 2001 to 2004, underestimated provisions for claims outstanding in order to enhance apparent solvency.

On the other hand we cannot claim Slovenian property insurers overestimated claims outstanding in order to reduce income tax liability.

Results show written premiums growth increases provisions for claims outstanding. This is just the opposite as we predicted: it seems large Slovenian property insurers are assessing provisions for claims outstanding more cautiously compared to small property insurers. Alternative explanation is that large insurers underwrite more risks and therefore need to create larger provisions for claims outstanding as small insurers. Since precise data on Slovenian insurers' portfolio are not publicly available, the reasons for such findings cannot be accurately investigated.

6 SUMMARY AND CONCLUDING REMARKS

Financially weaker Slovenian property insurers (current financial weakness is determined by called-up capital in the next year), who underwrote property insurance from year 2001 to 2004, underestimated provisions for claims outstanding in order to enhance apparent solvency. On the other hand it cannot be proven that Slovenian property insurers increased provisions for claims outstanding in order to reduce income tax burden. These findings are controlled for insurer's size and its growth.

Statistical analysis showed larger insurers (measured by written premiums) build relatively more claims outstanding compared to small insurers. Further investigation is needed to determine precise reasons for such behavior: are larger insurers more cautious or they are just underwriting more risks.

Data used in the study contain a lot of noise, as they are collected from composite insurers. Methods of provisions for claims outstanding are different in case of casualty insurance compared to traditional property insurance. Therefore, data obtained on traditional property insurance only would certainly increase the reliability of the results. It could even confirm that Slovenian property insurers overestimate provisions for claims outstanding in order to reduce income tax burden, too.

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THE RENAISSANCE OF COMMANDARIA - A STRATEGIC BRANDING DESCRIPTIVE ANALYSIS

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Commandaria is the oldest wine appellation in the world, with the wine region of Limassol, Cyprus, the internationally only one legally allowed to produce Commandaria. During the Middle Ages, Cyprus' sweet wine called Commandaria, gained international fame through the Crusader conquerors of the island, the Knights Templar, who arrived on the island in the 12th century and turned it into the source of their wealth and prosperity. In spite of its long history, time has been unkind to Commandaria, which gradually lost its fame and recognition. This paper provides the theoretical basis and contextual foundation for the commercial rebirth of Commandaria and the reconstruction of its brand and its findings are based on the results of a research project, funded by the Cyprus Research Promotion Institute. The research provided strategic marketing data and guidance towards the improvement of the Commandaria brand on a local and global basis. The research methodology included a variety of primary, secondary, qualitative and quantitative methods, including: ten semi-structured interviews, three focus groups, with local industry experts, one web based questionnaire with one hundred international wine experts, six consumer focus groups, two consumer surveys of five hundred respondents each, journal articles, books, company reviews, newspaper clippings and web-based information.

This paper is based on the qualitative, secondary and theoretical results of the research; and it constitutes the first, descriptive part, of the Commandaria strategic branding analysis.

The Renaissance of Commandaria

- A Strategic Branding Descriptive Analysis

Introduction – The Cyprus Wine Industry

As presented by Vrontis et al (2011), the history of Cyprus and the history of wine have been inextricably linked since the beginning of creation. Cyprus is today considered to be one of the first countries in which viticulture and wine production were practised (Aristidou, (1990; Domine, 2001; Johnson, 2001). This three-thousand-year-old sacred link lasted throughout the Roman period and medieval times with many renowned wines of the world made from vines brought to Europe from Cyprus after the Crusades (Kythreotou, 2003, Internet 2).

The development of Cyprus in the field of viticulture and wine-producing ended in the latter half of the 16th century with the Turkish Ottoman occupation. But, in 1878 when the British took control of the island, taxation changes kick started the local wine making industry once again.

Today, the wine industry is making significant efforts to develop processes and procedures in grape cultivation and wine production. Cyprus wine is seeking to become more competitive both in terms of quality and price. In light of the international phenomenon of increasing homogenization of goods and services, branding has progressively become more important to the wine industry as a means of differentiation and competitive advantage.

With an area of 9,250 square kilometres and a population of around 740,000, Cyprus has under cultivation some 23,500 hectares of vines, with an annual grape production of between 120,000 and 140,000 metric tons. In a good year, this translates roughly into 90,000 to 100,000 tons of grape juice, bottled wine and bulk wine (Internet 3).

The vineyards of Cyprus are mostly on the southern slopes of the Troodos mountain range; the island's long, sunny Mediterranean summers ripen the fruit and give it its full flavour. The island's modern wine industry has its roots in the 19th century, at the end of the Turkish Ottoman occupation. Around 1930, the first organized exports took place; as the industry grew in size, so did the vineyards. From 83,000 tons in 1950, grape production increased to 104,000 tons in 1960, 168,000 tons in 1970 and over 200,000 tons in the 1980s – though since then, the numbers have fallen somewhat (Internet 4).

In the early 1980's, the Cyprus government encouraged small enterprises to operate wineries of 50.000 to 300.000 bottles-a-year capacity, in the hill villages of the grape growing regions. Today there are more than 50 regional wineries, making a range of quality wines (Internet 5).

Over the last two decades though, a number of significant changes have affected the Cypriot wine. In the 1960's, Britain used half of the island's wine production to produce sherry. This changed in 1996 when the European Commission ruled that only fortified wine from Jerez, Spain, could be called 'sherry'. The other main market for Cyprus was in supplying large volumes of low quality wine to the Soviet Bloc countries. This demand too, fell away with the collapse of communism following 1989. Within a few years, Cyprus had lost its main export markets. Additionally, membership of the EU also meant an end to export subsidies.

To add to the problems, international competition in the wine world has become very fierce. Quality has risen on all fronts, and more wine producing countries have been exporting to the world. There is practically no volume market today for

low quality wine. To compete, firms have addressed the quality issue and introduced new internationally popular grape varieties such as Cabernet Sauvignon. On the production side, there have been a number of positive steps taken such as: (1) improved vineyard management, with selective grubbing up and replanting, (2) building of wineries closer to the vineyards to ensure that picked bunches of grapes are processed as soon as possible, (3) new winemaking talent including foreign winemakers and (4) improved production processes.

Thirty-five to forty boutique wineries have also sprung up on the island in the last fifteen years and have been responsible for some of the renewed interest in Cypriot wines. These wineries are financed privately and owned by wine enthusiasts. They have also placed a greater emphasis on the promotion of Cypriot wines in foreign markets. However, there is no collective effort, as individual wineries are promoting their own brands abroad. In Cyprus, and little research has been carried out in order to identify the importance of branding and the benefits it can offer to the wine industry.

Historical Review of Commandaria

'When Orionas and Sirios are in the middle of the sky and when rosefingerlos, Persi, is overlooking Arktouros then collect the grapes from the vines and bring them all home. Show them to the sun for ten days and ten nights, for five days keep them in the shadow and on the sixth day pour the gifts of Dionisos in the jar...'. In the above lines, Hesiod (800BC line 609–617) describes the production of Commandaria, the Cyprus traditional sweet wine that has the longest history in the world of wine. Named at the time 'Cyprus Nama', it was revered as the most prestigious sweet wine in the world and enjoyed by Kings all over the Mediterranean and the Pharaohs of Egypt (Aristidou 1990).

In the ancient times, during Homer's period and even far before that, when speaking about wine, one probably meant the traditional sweet wine produced in Cyprus. This is indicated by the archeological findings of ancient wine jars and wineglasses on the island of Cyprus, as well as

by the pips from grapes of the vine species *Vitis Vinifera*, that were also found in Cyprus and date back to the Neolithic age (Papadopoulos 2004). The specific species is in fact considered today as the best available species for winemaking purposes (Pavlidis and Vrontis, 2009).

During these ancient times, people in general enjoyed their fruits and wines in sweet forms. This is because of the lack of sugar as an added substance during that time, but also because high amounts of sugar worked as preservatives. Evidence of wine making and most probably of the Cyprus Nama is also found during the Hellenic period. Within the Kerynia shipwreck of the period, amphora jars were found that were used for wine exportations; another strong indication of the significant wine trade made from Cyprus of the time (Papadopoulos 2004).

The history of Cyprus Nama continued through the Roman period, when Romans wrote wine production manuals and spread the winemaking method found in Cyprus all over the world. Wine making evidence of this era is met in the form of wine barrels and amphora found at Kato Paphos, Cyprus, within the Roman estates; and in Dionysus' (god of wine) house marvelous mosaics.

The next significant era of Commandaria's history begins in 1192, when King Richard the Lionheart invaded the island and captured it. During his stay, the historical occasion of his wedding with Berengaria, was marked by the exclusively served Cyprus Nama, during the banquet. Later, he sold Cyprus to the Templars, an Ecclesiastic Knights team that was created from the Crusaders, who produced and profited from Cyprus Nama. The Templars could not put the locals under control and so they sold it back to King Richard the Lionheart, who subsequently sold the island to Guy de Lusignan. The latter brought catholic crusaders to the island and gave them land and other significant possessions and benefits. In order to control the island three areas of command (commanderies) were created. The main commanderie or La Grande Commanderie was established at Kolossi Castle at Limassol, an area where Cypriots were cultivating vines and

making superb sweet wine from sun dried grapes, amongst other things. This marvelous and exceptional sweet wine was enjoyed by the Knights, noblemen and crusaders, but was also traded outside Cyprus. The foreign traders named it Commandaria, not only because it directly relates to the name of the production area – La Grande Commanderie, but also because of the prestige that the particular wine had by the people it was consumed (Papadopoulos 2004).

The next many years saw a tremendous production increase and development of Commandaria, and was exported to all European countries, with Venice being the major importer (Aristidou, 1990). Notable is the banquet reception that was held in 1363 by the Lord Mayor of London, Henry Picard, in honor of the five Kings who visited him. During this banquet, he served Commandaria, as witnessed by the commemorating plaque found in Vintner's Hall. In 1571, Sultan Selim invaded Cyprus in order to be able to own and control the production of Commandaria, stating himself that 'within this island, there is a treasure which only the King of Kings is worth possessing' (Aristidou 1990). The Ottomans' laws though and their alcohol gradual prohibition, led to the corresponding decline of Commandaria production, to the point it almost disappear.

Nonetheless, Commandaria managed to survive, owing to the ability of the vines to survive with minimum water and cultivation, the variations of products produced from grapes, the persistent tradition of Cypriots to produce products from the grapes, the use of Commandaria for Holy Communion, the economic benefits that the Ottomans had from partially trading Commandaria, and the healing properties that it had (Papadopoulos 2004). Giovanni Maritti, an Italian writer of the time, in his book "Del Vino di Cipro", describes in detail Commandarias' production, confirming also its location to be the vineyards of Limassol (Papadopoulos 2004).

The long and difficult journey of Commandaria kept on until and through the English occupation. With no significant development, Commandaria was still produced on the island of Cyprus, but

the English occupants gave more focus on the production of sherry that was exported to Great Britain. Nevertheless, in 1937 the English did try to promote the development of Commandaria with actions taken for the identification and the set up of the Commandaria regions. Furthermore, plans were developed to make Commandaria a controlled region – AOC (Appellation d'origine controlée). During this period, wines similar to Commandaria were developing while Commandaria stayed at a low and constant level of importance, production and appreciation. Even from the locals, Commandaria was nothing special and it was used primarily for the Holy Communion. Neither the foreigner occupants, nor the Cypriots did anything for the development of Commandaria.

Not until England joined EEC and Cyprus lost the exportation of Cyprus sherry to England, did the Cypriots realize the importance of Commandaria and start taking measures for its development. Due to the fact that Commandaria's production is very difficult and easily affected by the weather, it was decided to create the first Cooperatives Companies, and since then there are analytical figures that can describe Commandaria's production. After 1960, Commandaria started being produced in large amounts by the villagers, with the large winemaking companies buying the wine, refining it, aging it and trading it. In 1974 the Turkish occupation coupled with a big drop of rainfall had a significant negative effect on Commandaria's production. In 1979 though, Commandaria thrived again, with production reaching 1,464,900 liters and the Soviet Union buying it, thus offering positive traits to Cyprus economy. This did not last for long though, and Commandaria's production started to decline once again. The villagers abandoned the vineyards for the more lucrative hospitality industry, the government was apathetic to the issue, the rainfall was low, and additionally, the price of the grapes used for Commandaria's production was set at the same level with all the other grapes even though their production costs were higher. Consequently, in 1996, Commandaria stamped the lowest production ever of only 132,400 liters (Papadopoulos 2004).

Internal Analysis - Production

Grape Varieties

In the Commandaria region, only two grape varieties can be used in order to produce Commandaria. These are Xinisteri, a white grape variety and Mavro, a red grape variety. Xinisteri and Mavro are used as a blend for the production of Commandaria, where Xinisteri adds to the aromatic character of the wine and Mavro to the body. These two are used because they are both suitable for sun drying more than any other grape variety and also because they get easily oxidized. Commandaria is an oxidized wine and so the particular grape varieties enhance the character of Commandaria and make it more intense as it ages.

Xinisteri is a white grape variety, indigenous to Cyprus. It is the second most widespread planted variety. It produces better grapes when planted in dry climates. It produces medium sized grapes in the shape of an egg, in a non-structured order. The color is golden-yellow and is usually mature enough in the beginning of September. It is mostly found in the Commandaria region (Papadopoulos 2004). The name Xinisteri makes its first appearance in 1893 in a report entitled "Rapport sur une Mission viticole à l'île de Chypre" by professor Mouillefert of the Grignon Agricultural College.

The first reference to the Mavro variety was made by the Count of Rovasenda in 1877: he calls it Cipro Nero, which translates to Cyprus black. Mavro is a very productive grape characterized by large juicy grapes that make it a good example as a table variety. Its potential for red quality wine is particularly limited, as, in most cases, the wines produced from it are poor in color, dull, simple in aroma, and light in taste. Furthermore, they are not amenable to ageing and they need to be drunk very young. The Mavro variety has been, and continues to be, the main grape player on the island because by being highly productive, it was cultivated to the full by vine-growers in the past. The percentage of Mavro has been decreasing year by year as new varieties are imported, which can definitely offer a better product, but Mavro is still the most widespread variety cultivated on the island (Bacchus Association of the regional wine producers of Cyprus).

Production Legislation and Method

The grapes used in the winemaking of Commandaria must by law come from vineyards where the plants have the traditional low bush form, with a minimum of 2750 plants per hectare (for vineyards planted before 1969) or 2000 plants per hectare (for vineyards planted after 1969). The plants must be at least four years old before their grapes can be used for the production of Commandaria, and the grapes must not be carried outside the Commandaria region for vinification. It is worth noting that, in spite of low rainfall and the strict regulations that pertain the production of Commandaria, irrigation of the vineyards is not permitted and this result in low yields and ultimately in the abandonment of many vineyards as their cultivation becomes of very low profit or even unprofitable business. A relevant provision in the legislation on Commandaria fixes the maximum yield per hectare at 4500 kilos of grapes or 17 hectolitres of wine (Bacchus Association of the regional wine producers of Cyprus).

The beginning of the grape harvest is decided every year by the Wine Products Council. Mavro and Xinisteri have different dates as each one has to reach the desirable Baume level. For Mavro is 14 Baume and for Xinisteri 13 Baume. After picking, the next step is to lay the grapes on the special nets on the floor for about a week, depending on the weather conditions at the time in order to become sundried. By doing this the grapes lose a great amount of water and their sugar content should fluctuate between 390 and 450 g/l so that winemaking can begin (Bacchus Association of the regional wine producers of Cyprus).

The sun drying process is vital to the character and quality of Commandaria as it is responsible for the creation of the complex aromas that can be later on found and enjoyed by the consumer. Basically during the drying process, the grapes loose a lot of their water substance and thus more sugars are retained. The raisin-like grapes are then transferred to the winery in order to be fermented; the winemaking process is undertaken by local wineries within the Commandaria zone by law. Alcoholic fermentation can last for up to two – three months because of the high amount of sugar

found in the grapes. Alcoholic fermentation stops automatically because of the environment that the yeasts are; high amount of alcohol (10%) and high amount of sugar (13 Baume) (Papadopoulos 2004).

The next step is to age Commandaria in oak casks. This takes place mainly at the major wine companies, which have been in business since the first decades of the twentieth century along the coastal region of the town of Limassol. These are ETKO, KEO, LOEL and SODAP. In the last few decades, the cooperative wine companies of the Commandaria villages have quite lightly entrusted the task of refining, aging, bottling, marketing and distribution of this famous wine to these main companies (Bacchus Association of the regional wine producers of Cyprus).

The aging is done in the underground cellars of the main producers, using old oak casks of a minimum capacity of 500 liters each. The most traditional method used in Cyprus called 'mana' is theoretically similar to the 'solera method' used elsewhere. The difference lies in the fact that with "mana" ageing takes place in only one large cask from which one-third of the wine is taken off, and then the cask is topped up with fresh wine. (Bacchus Association of the regional wine producers of Cyprus).

Today Commandaria is also produced on a single vintage basis. In order to do that, the wine producers do not use the 'solera method', but instead they age each vintage separately and then bottle it and sell it. Even though this is a very good practice in the wine industry in terms of buying and aging wines, in Cyprus there are very few examples of bottled Commandaria with a vintage printed on the label.

Internal Analysis - Commercialisation

In terms of market share and sales, Commandaria is of lower importance to the main companies that age, bottle, distribute and sell the product. Consequently, their promotional and distribution effort is not enforced at an optimal level.

The grape cultivation profit margin when selling grapes to producers, as well as the production

profit margin when selling Commandaria juice to distributors, is very low. The same is true for those who age, refine, bottle, distribute and sell it to the final consumer, as the selling price of Commandaria is very low and does not allow high profitability. This resulted in a decreasing interest at all stages, starting from grape cultivation to product consumption. At the selling point, this concern is enhanced by the fact that wine cellars do not often stock or communicate Commandaria, since they tend to promote their own imported products that give them a higher profit margin.

The study also revealed that the vineyards are mostly not owned by the Cooperative Commandaria producers. Thus, wine producers purchase grapes from various grape producers, with variations in quality and percentage of varieties of grapes used. Consequently, the wine producers have limited control over the quality and the consistency of the final vinified product.

Primary research in fact, in the form of exploratory semi-structured interviews, indicated

that the three main companies (KEO, SODAP and ETKO) that control the aging, refinement and marketing of Commandaria have big amounts of product surplus in their warehouses. This is due to the fact that they purchased high amounts of Commandaria and could not eventually dispose them into the market. This also gave them power over the producers and influence over the final price of Commandaria juice sold to them.

Over the past years, the production of Commandaria and the number of grape producers has been constantly decreasing. The industry is heavily relied upon the 'older generation' something that is creating an obstacle of continuity. In addition, the older generation is following mostly the traditional practices of winemaking as these were passed from their ancestors. As a result, it is apparent that there is a lot of room for development with the possible introduction of more qualified oenologists and entrepreneurs in the market. The younger generation though, is abandoning the riches of the rural areas to settle in cities, prospecting for a better future.

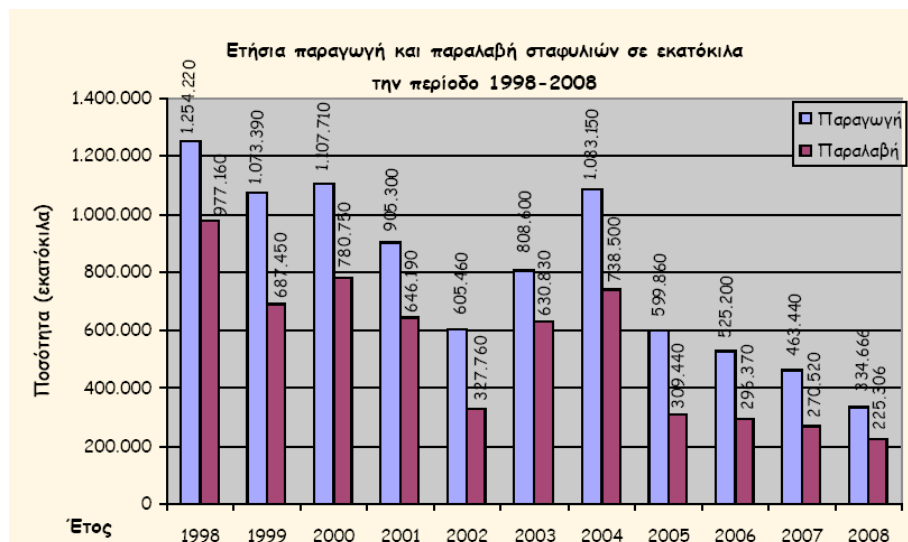


Figure 1: Annual production and collection of grapes in 100kilos scale

Source: Cyprus Products Council (2008)

Figure 1, illustrates that there is a decline in the production and collection of grapes from 1998 to 2008, with the exception of years 2003 and 2004, where we have experienced a slight recovery.

The fact that we have experienced grape production going down to less than 1/3 and grape collection declining to less than 1/4, in 10 years, is considered as a major threat, not only for Commandaria, but for the whole wine industry as a whole.

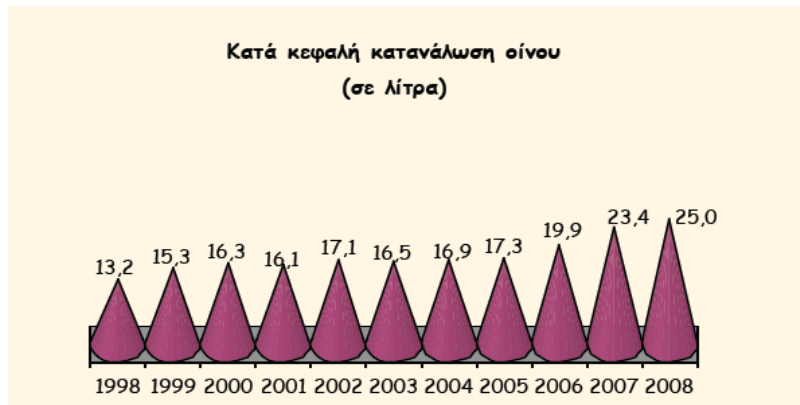


Figure 2: Wine consumption per head

Source: Cyprus Products Council (2008)

market has almost doubled as the market experienced an increase from 13.2 litres in 1998 to 25 litres in 2008 (figure 2).

At the same time, it should be highlighted that the per capita wine consumption in the Cyprus

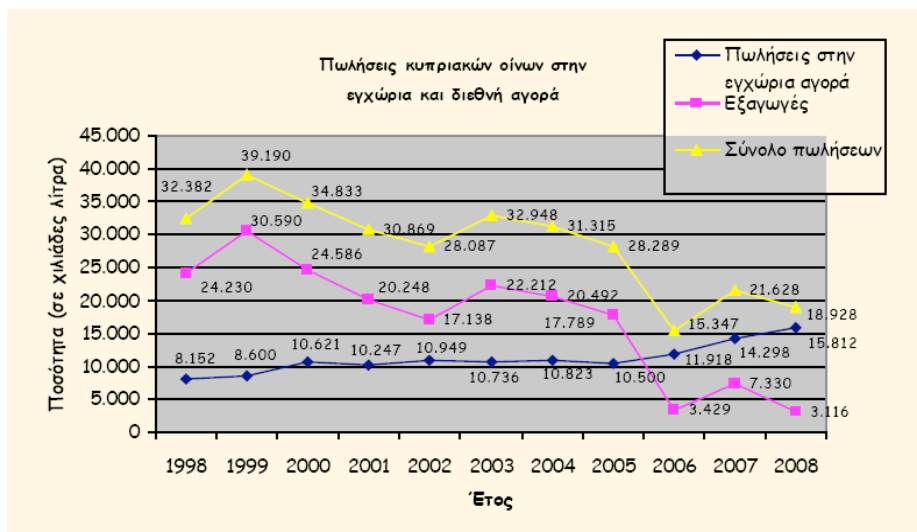


Figure 3: Local sales, exports and Total sales

Source: Cyprus Products Council (2008)

Further, figure 3 portrays that exports of Cyprus wine have been declining and were at 3.1 million litres in 2008 compared to 24.2 million litres in 1998 (Cyprus Products Council, 2008) and 45.4 million litres in 1996 (Vrontis and Paliwoda, 2008: 148). This is considered to be a major threat and a severe obstacle to market development and market penetration. Further, sales of Cypriot

wine in the local market increased from 7.8 million litres in 1996 (Vrontis and Paliwoda, 2008: 148) to 15.8 million litres in 2008 (Cyprus Products Council, 2008), something that is considered as a positive development and shows acceptance to the local market. However, total sales of Cypriot wines have decreased dramatically from 53.2 million in 1996 (Vrontis and Paliwoda, 2008: 148) to 18.9 in 2008. This is indeed a negative consequence and major corrective steps should evidently be taken for turning around this declining situation.

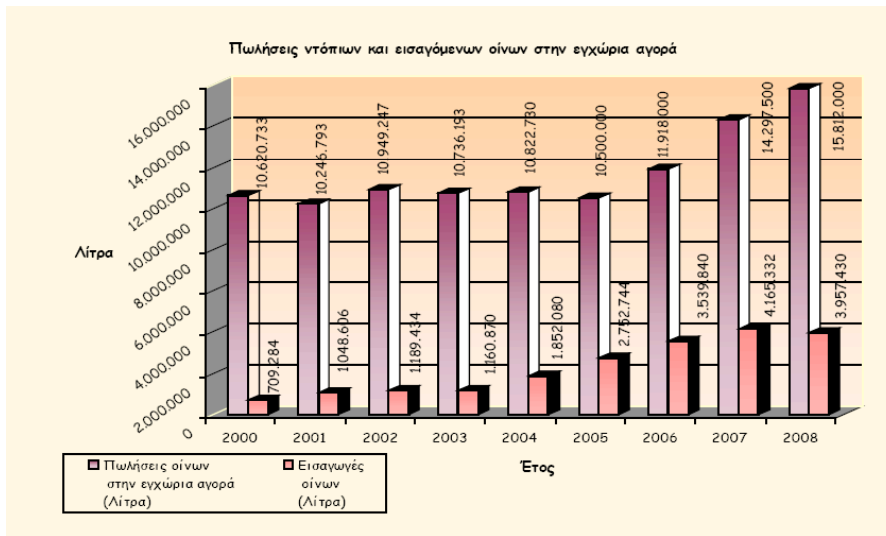


Figure 4: Sales of local wines Vs sales of imported wines

Source: Cyprus Products Council

In addition, figure 4 illustrates that sales of wine (both local and imported) in the market has increased from 10.620 million litres in 2000 to 10.736 in 2003 and 15.812 million litres in 2008.

Special emphasis should also be given to the fact that sales of imported wine increased from 0.709 million litres in 2000 to 1.160 million in 2003 and 3.957 million litres in 2008, something that indicates that Cypriots consume more imported wine that they used to in the past.

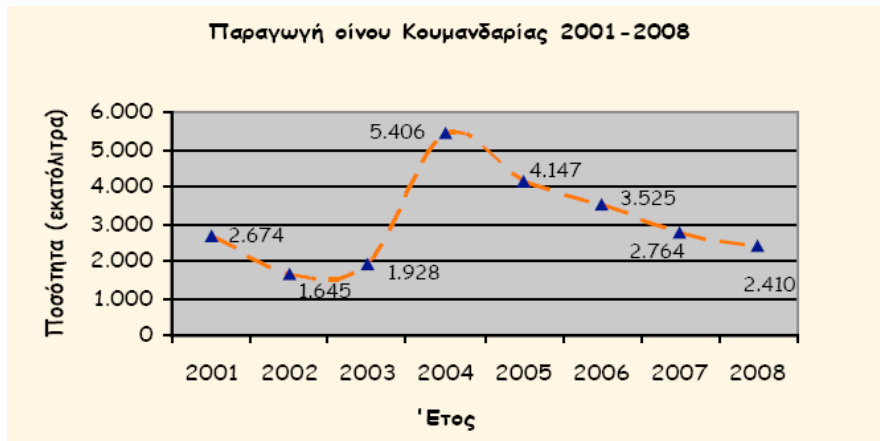


Figure 5: Commandaria production

Source: Cyprus Products Council (2009)

Over the period of 2001-2008, the production of Commandaria varied. It has experienced an increase from 267, 400 litres in 2001 to 540,600 litres and a down to 241,000 in 2008. This indicates that production is instable and dependent upon many uncontrollable external

parameters such as weather conditions, supply of grapes and demand on the consumers' end. For 2009, there was a very limited production of

Commandaria due to climatic conditions such as rain during the drying period. The Commandaria region comprises 14 villages

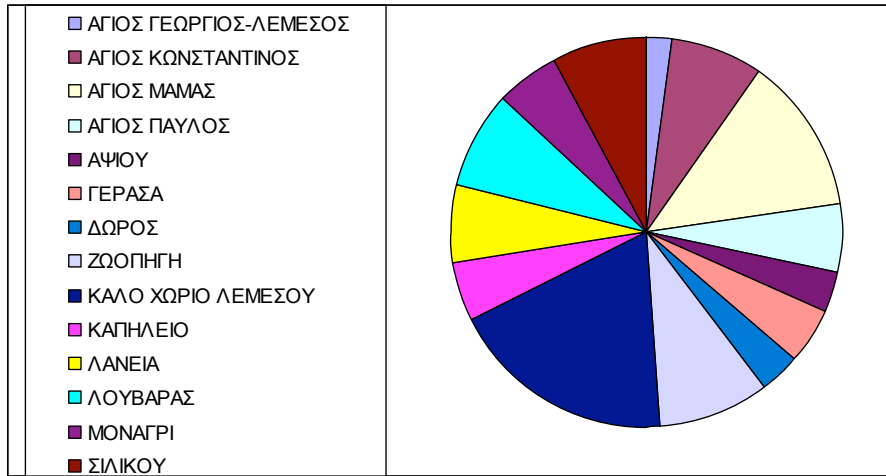


Figure 6: Current size of vineyards in the Commandaria region

Source: Cyprus Products Council (2009)

No	Village	Area in Decares
1	KaloChorioLemesou	1,842.7
2	Ayios Mamas	1,285.4
3	Zoopigi	927.7
4	Louvaras	829.5
5	Silikou	786.3
6	AyiosKonstantinos	765.0
7	Laneia	613.5
8	AyiosPavlos	556.7
9	Kapileio	526.2
10	Monagri	510.9
11	Gerasa	485.0
12	Apsiou	329.6
13	Doros	331.2
14	AyiosGeorgios - Limassol	221.4

Total in Decares	10,011.1
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Within the Commandaria region, there are currently seven Commandaria producing units; these are located at AyiosKonstantinos, Ayios Mamas, Gerasa, Doros, Zoopigi,

KaloChorioLemesou and Monagri. There is also a mothballed unit in the village of Lania that seized operating a couple of years ago.

Table 1: Area Dynamic in Decares

Source: Cyprus Products Council (2009)

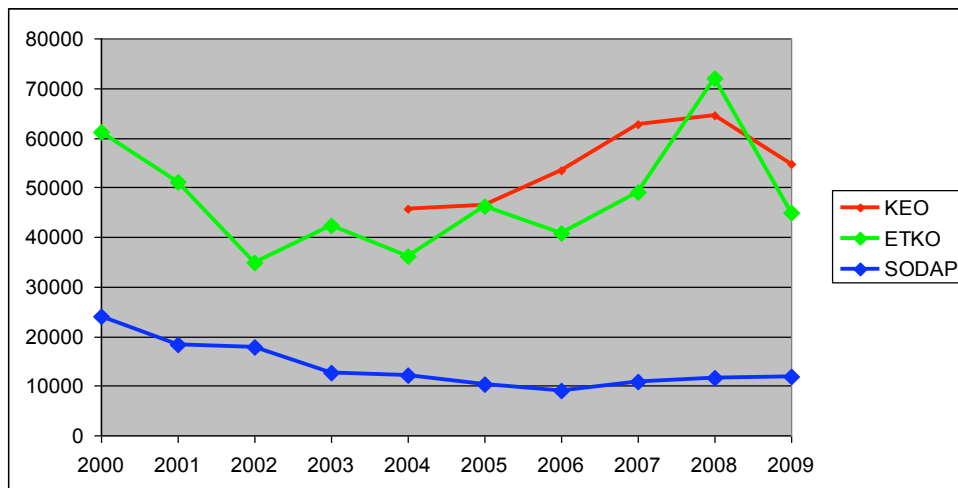


Figure 7:

Local sales of Commandaria in liters from the three main companies

Source: Adapted from information provided by the companies

Figure 7, illustrates that the total sales of Commandaria in the Cyprus market are very different for each of the main companies. KEO was on constant increase in sales, from 2004 where it sold 45,578 liters to 64,617 liters in 2008, which shows the demand of the market; from 2008 though there was a major drop in sales that reached the level of 54,751 liters. On the other hand, ETKO presents mainly a

constant up and down picture. There was a major drop from the year 2000 where it sold 61,203 liters compared to 2002 where it sold 34,734 liters. Then follows the up and down period with a slight increase in 2007 of 49,141 liters. This increase continued and sales exceed the highest level of all companies in 2008 of 72,114 liters, which might be due to any promotional campaigns or changes in the product that made it more attractive to the consumer. This success lasted only for one year

as from 2008 and onwards there was a major drop in sales to the level of 44,847 liters, something that is quite strange and creates the feeling of inconsistency in terms of the product and its promotion team. Lastly, SODAP presents the most unpleasant picture in terms of sales, with a major difference from the other two companies. SODAP had its sales constantly decreasing from 2008 where it sold 24,000 liters until 2006 where it sold 9,035 liters. Maybe the reason behind this is that the company is not finding the particular wine successful in terms of business due to the local market attractiveness. SODAP followed a very slight increase from year 2006 and onwards where it reached the level of 11,760 liters.

To sum up, annual grape production is directly affected by the production of Commandaria grapes, and the other way around; this is justified by looking at the figures 1 and 5. On 2004 there was an increase in the production of Commandaria and a similar increase in the overall production of grapes. Even though the production of grapes is constantly declining based on Figure 1, there is a small but constant increase of the wine consumed by the locals, justified on Figure 4. In addition there is a constant increase in the sales of local wines (Figure 3) and a constant increase on the imports of foreign wines (Figure 3). It is a fact though that there is a major difference in the sales of local wine in liters and imports in liters, which justifies only one thing and that is the fact that the majority of wine consumed is local instead of foreign.

The overproduction of Commandaria in 2004 filled in the four major companies that bottle Commandaria with excessive stock and thus gave them the power later on in negotiating with the producers for a lower buying price. The producers, already carrying the weights of a troubled and low profitable business, in addition to the lower prices negotiated by the main companies started caring less for the production

of Commandaria. This is clearly seen through Figure 5 that shows the constant decline of the production of Commandaria from 2004 until today. On 2009 there was no production at all and it is worth noting the distinct possibility of the disappearance of Commandaria within the next few years.

Commandaria is aged by law for at least two years, so further to the major increase of the production of Commandaria in 2004, the four main companies were now vulnerable to their excessive stock that they soon had to sell. After aging it for two years, on 2006 they could now make it available into the market. Through various tactics they managed to increase their sales (Figure 7) by selling Commandaria in the local market, which had an increase on 2006 onwards (Figure 2). In addition, there was an increase in the exports of wines (Figure 2), of which Commandaria had also a part.

External Analysis

The EU Factor

The accession of Cyprus in the EU created some major competitive disadvantages to the local wines and Commandaria, consequent to the influx of a wide variety of imported wines. On the other hand, it created advantages to the Commandaria region, one of which was the introduction of European funds and subsidies targeted towards the encouragement for the improvement and upgrading of the particular region. A recent step taken within the context of joining the E.U. was the chartering of the wine map and the subsequent classification of the vine growing areas. Wines designated as Wine Produced in Specified Regions are considered of top quality and can only be produced with a certain way covered, by law, from indigenous varieties of grapes grown in vineyards located within the five approved areas shown in Figure 8. Commandaria is currently the only wine that carries an Appellation name (Pavlidis 2009).

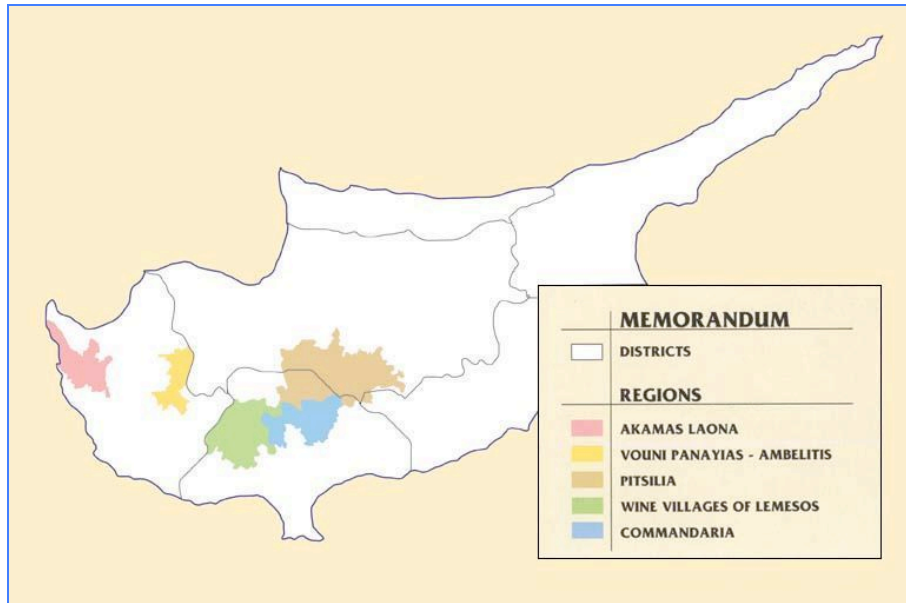


Figure 8: Regions designated for Wine Produced in Specified Regions (WPC 2009)

Economic Factors

In spite of the positive economic impact of the EU accession and of adopting the Euro, the economy of Cyprus is currently facing a moderate economic crisis. Bank loans are restricted, major corporations are limiting expenses and consumption is decreasing. Price is becoming more of an issue and luxury goods are the ones mostly hurt. For Commandaria, this has a minor to moderate effect though, owing to the fact that it is not considered a luxury good and its price is within the budget of most local buyers. Additionally and in the wider context, the economic prospects in the longer term are more positive. Planning therefore should assume a relatively better economic context and greater market opportunities at both local and international level.

Socio-cultural Factors

Even though Cyprus has a very long wine history, the wine culture in contemporary Cyprus is relatively underdeveloped; this is partly due to the lack of local high quality wines in the past and the corresponding lack of wine knowledge at a consumer level. The gradual development of a wine culture, the sophistication of the locals and the need for quality wines occurred somewhere

in the 1990s. That is when high quality Greek wines were released in the market of Cyprus, with the locals enjoying them and also perceiving them partially as 'home country' products. Moreover, wine businesses saw the opportunity of selling wine knowledge and so wine tasting seminars, wine tasting events and wine books were completely offered to a demanding market. Today, with the help of experts dealing with subjects like wine marketing and wine knowledge, the wine culture of Cyprus is set to become stronger and the market to grow bigger.

An additional factor aiding the development of the wine culture is the perception of wine as a healthy drink compared to other alcoholic and even non-alcoholic drinks. At a time of increased health awareness and adoption of related life styles with direct impact on consumer behaviour, the marketing benefits are considerable for wine. Finally, though the majority of hospitality establishments are currently presenting a very bad image in terms of wine storage, wine selection (wine list), wine knowledge and wine service, things are improving and further positively affecting the wine culture development.

Technological Factors

The technological advancements impact the wine industry in terms of production, storage and consumption. Regarding production, technological advancements like specialized trucks and tools for the cultivation and viticulture of the vineyards and new winery equipment like temperature controlled fermentation tanks can assure the production of higher quality wines. Regarding the storage, new and improved methods and equipment like specialized isolation products, new air condition units that retain the desirable humidity levels within a wine cellar, improved wine cabinets that offer more features like different temperature controlled areas and low consumption of electricity are all making a positive impact in the area of wine. Regarding the consumption side, technological advancements aided the increase of the product range of wine accessories; electronic corkscrews, electronic thermometers for calculating the desirable wine temperature, electronically temperature controlled wine buckets and domestic wine preserving machines are all part of the consumption side of wine. For Cyprus, it is clear that more needs to be done, especially in the production aspect. This is a disadvantage since Cyprus lacks in wine-specific knowledge compared to other competing countries. At the same time though, Cypriot business display considerable flexibility and are quick to adapt new knowledge and technologies when necessary, while the educational and general HR potential is very high.

Environmental Factors

The microclimate of the Commandaria region is considered ideal for the production of sweet wines. The soil and sub-soil, the climatic conditions and the particular grape varieties used are creating an ideal Terroir, unique for the production of Commandaria. Viticulture can be considered a positive attribute to the environment because it promotes the green life of the planet. Generally speaking, viticulture and vinification can use their sub-products to create other products. A great debate is the one of the cork that is used for wine closure, the traditional natural cork is promoted by green peace

because it is less harmful to the environment, but wineries all over the world especially in the wine producing countries within the New World, are promoting plastic corks or screw caps because by using them they avoid contaminating the wine with a fungus that creates the chemical substance TCA – Trichloroanisole that creates foul aromas to the wines. Other issues include the climatic changes and the extreme climatic phenomena. Cyprus is not unaffected by these, as draughts and deforestation change its climate, a critical parameter of the Commandaria production process.

Legal Factors

With the entrance of Cyprus in the European Union the quantity and range of wine imports have surged, owing to the removal of tariffs etc. the effect on local wine is clearly a negative one in commercial aspects, because the majority of imported wines offer higher quality at lower prices. Another legal factor that affects negatively the wine consumption is the decrease of the higher alcohol level that a person can have while driving. Furthermore, the law has become stricter regarding this issue and more alco-test police operations are set on a daily basis in order to control lower alcohol consumption. On the other hand, this can be considered as an advantage because there is a big market in Cyprus that consumes alcoholic beverages like Vodka, Zivania, Whisky and Brandy that have high level of alcohol compared to wine. These people can substitute their drinking preferences with wine, because it has lower levels of alcohol and so it can be enjoyed in higher quantities. An additional legal factor is a new law that bans smoking; put in effect from the 1st of January 2010. This is mostly a negative since there appears to be a proportional consumption of alcohol and smoking, while the overall visits to hospitality establishments have also decreased and alcohol consumption with them.

Competitive Environment Factors

Basically there are four main companies that buy Commandaria and then age it, bottle it and sell it in the market. Based on their size, the product

range and services offered, competitive rivalry can be characterized as high, with all four operating in a similar fashion. Furthermore, though the industry of wine is growing, with both winemaking and wine culture in Cyprus developing and resulting in intensified rivalry, Commandarias' production and promotion is still very limited. High fixed costs combined with high exit barriers are two additional factors that intensify competition. These two factors also reduce the threat of new entrants and minimize the opportunity for creating new Commandaria-producing wineries. Differentiation, which could change the nature of competition is practically non-existent, with the big companies more or less selling similar products.

Product to product substitution is considered easy and thus the threat of substitutes is high, if Commandaria is considered in the range of wines. On the other hand, if Commandaria is placed in the category of sweet wines, it is unique by its character and location. Commandaria can only be produced in the Commandaria region in Cyprus, which minimizes the threat of substitutes. The buyer power is high and supplier power low, because the producers can only survive by selling Commandaria to the four large companies.

Preliminary Research Conclusions

The preliminary theoretical research and qualitative research (in-depth interviews') results have provided an initial understanding of Commandaria's strategic marketing situation.

In terms of **strengths**, Commandaria is a high quality wine, an 'Appellation controlee', it has received numerous local and worldwide awards and it is highly respected by foreign experts, tourists and Cypriots living abroad. It is produced by two indigenous varieties and it is an oxidized wine by nature; therefore once opened it does not need to be consumed on the same day. There are modernized wineries with adequate knowhow of the fortification and aging process. It has competitive pricing compared to foreign desert wines, it has a long history and tradition, to a degree that it is considered a national heritage. It is also considered to have medicinal and health properties. It undergoes has a unique

winemaking method and it can also be produced on a single vintage basis, but only from the Xynistery variety. It is an overall good and unique product.

In terms of **weaknesses**, the producers of Commandaria do not control the quantities of the varieties that they receive. The producers are not paid sufficiently and the risk of producing Commandaria is very high due to environmental factors. There is excessive stock, with production being higher than consumption, but both decreasing. The overall number of producers cultivating the vineyards and vinifying is also decreasing, with the older generation that is currently responsible for the production of Commandaria is following mostly the traditional practices of winemaking. The distribution system, especially to wine cellars, is weak. Marketing and promotion by the various stakeholders, including bottle design etc is underdeveloped and practically non-existent. There is no brand identity or specified or recognized product personality; and the market positioning is wrong even assuming it exists at all. (a traditional product bought by tourists). The product types (e.g. age, grape varieties, alcoholic level) are limited, as is customer awareness of and knowledge on the product (e.g. wine glass, temperature, suitable time to be consumed). The production volume is low and of course so is the per capita consumption. The selling price and profit margins are low. There is a lack of technological and scientific infrastructure and the production costs are high.

In terms of **opportunities**, production will potentially increase due to the fact that new plants are being grown and cultivated in the vineyards. Wine making is increasingly to be a profitable business, especially after the introduction of European funds and subsidies targeted towards the encouragement for the improvement and upgrading of the wine industry. The Cyprus wine industry is redeveloping and reinventing itself in terms of processes and procedures used in the cultivation of grapes and wine making. The consequent technological advancements are having a positive impact on production, storage and consumption. Actual overall wine consumption is increasing as are sales. Drinking wine while socializing is considered increasingly trendy and fashionable

and consumers increasingly join wine related functions. Wine research is promoted by the government and with the help of experts dealing with subjects like wine marketing and wine knowledge, the wine culture of Cyprus is set to become stronger, with positive commercial results. Wine and related products are viewed as healthy drinks with switching of drinking preferences to wine for this or alcohol-level reasons.

In terms of **threats**, the younger generations are not willing to invest time or money in Commandaria production and the older generation will soon be out of the industry, while climatic changes might affect the product. In terms of branding, there is an association of Commandaria with of the Holy Communion, and as a product it has a low perceived consumer value and image among the locals. There is a consequent overreliance on exporting to foreign markets and sales through the duty free shops. The competition from other imported sweet wines (e.g. Port, Tokay, Vinsanto etc) is rising. Legal factors (alcohol driving levels, smoking ban etc) may affect overall market. Perhaps most importantly though, there appears to be a general lack of organization and common strategy in improving, restructuring and/or remarketing and rebranding Commandaria (though the will appears to exist).

Overall, the preliminary part of this research has managed to pin-point a set of five elements that are crucial in the effort to bring the renaissance of Commandaria:

the actual product, irrespective of its image, is perceived as good, both by experts and consumers

in spite of its production distinctiveness, there appears to be ample room for growth, assuming the economics allow for it.

The product suffers largely from a lack of identity and to a less degree from negative perceived image where it even exists

The product has no compiled marketing mix, though all indications are that one may be successfully applied following proper marketing analysis.

The overall consumer trends favour the product, since there is a gradual shift towards wine related products.

It is clear therefore that Commandaria stakeholders have in their hand a good product, in favourable market conditions, but severely lacking in marketing and especially branding. It is also indicated that though there are many practical difficulties regarding the production, quality control and logistics of the product, the underlying problem is its profitability as a product. It appears that if the matter of the profitability is solved then the practical difficulties shall be self-resolved.

This preliminary research therefore is in a position to state that Commandaria needs above and further to all organizational and technical issues: a branding strategy, within a wider strategic marketing context, that will introduce, reinvent, reposition and recreate Commandaria in consumers' minds. This commercial renaissance will redefine the image, the pricing, the logistics and of course the promotion and imaging of Commandaria. It will in fact redefine the product itself towards commercial and cultural success of the product and its stakeholders.

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USING THE SYSTEM OF MONEY MANAGEMENT WITHIN THE AUDUSD PARITY

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ABSTRACT

In this article we want to emphasize the importance of using the system of money management within the AUDUSD parity. The efficient use of a system of money management facilitates the long-term maximizations and in the same time and the limit of losses, independent of the degree of efficiency of transactions. The money management being a problem of probability statistics is essential, and the efficient administration of the count in the idea of small loss in the case in which the strategy does not work it makes the difference between gain and loss. The investments are a fight with the probability – nothing is certain regarding the future evolution of the course. The research method consists in using literature of specialty,

Introduction

The exchange risk is one of the many types of risk at which is exposed an enterprise. It results especially from the participation of the enterprise at the foreign trade, from making investments in nature or in capital outside the country or attracting of financings under the form of loans expense accounts in foreign currencies. The relatively high volatility that we observe during the recent years on the forex markets may be a factor with unfavorable influence on the financial results or on the company's position in relation to competition.

The decline of the export revenue, higher costs of the raw materials or imported goods or the increase of the costs generated by loans – these are the main problems that may be generated by an improper management of the currency risk. The problem of the currency risk affects more

using the trading program XTB Trader and using the methods of controlling the transactions and of their volume through the Stop Loss and Take Profit orders within the AUDUSD parity. In conclusion, In conclusion, the money management is destined to keep in game the investor, despite his losses. It is well known that there isn't trading without investments in losses. Therefore in order to survive financially it must that the total of the gains to be greater the total of losses.

Key words: AUDUSD, system, money management, parity, transaction

often the individuals, once with the increase of the popularity of the granted credits in foreign currencies.

The currency risk is defined as being the possibility of changing the component values of assets, of the financial rotation or of debits, due to the changes of exchange rates.

Considering the above definition, the risk management is actually the reduction of the potential variations of value of the assets' components or of the generated debits by the expected or planned values. Such a goal can be achieved through the insurance transactions, using derivative instruments.

The exchange rate contracts of course difference allows to ensure the currency positions exposed to the risk in a very simple and with minimal costs. The full solvency, lack of commercial

addition, of hidden costs or provisions and elasticity in terms of adjusting the level of transaction and date of expense account – these are the main qualities due to which the forex contracts and the course difference become an instrument increasingly used in the speculative transactions and insurance.

Many investors enter in the activity of buying/selling shares as a result of a clearly defined goal: to make money. Many of them forget that goal and over time they start to trade for the adrenaline which the market offers and forget that their main purpose is to increase the portfolio.

There are situations in which an investor makes 10 consecutive transactions on profit and one on loss, on the overall its portfolio is reduced; this happens because of the lack of a system to protect the portfolio, that the lack of a money management.

The money management is one which should turn a certain loss in an assumed loss and of which size is controlled. Also, a money management system (and here the system must be created by each) has the role as a large number of transactions, to increase the portfolio, even if sometimes we are subject to losses.

Material and Method

The material used within in this article can be found in using the literature of specialty. The research method used is materialized in the usage of the trading program Metatrader v 4.0, and the use of control methods and their volume through the Stop Loss and Take Profit.

Results

The main purpose of managing the currency risk is the stabilization the value of the future financial rotation in foreign currencies at a rate that we know, we specify and accept it. The administration (management) of risk can be approached through the prism of two concepts:

a conservative approach – related to the idea of full ensuring of a currency, so that the exchange

rate changes do not result in changes in the values of the financial rotation. Thus even as today, we can determine, regardless of the changes in the exchange rate, the value – expressed in local currency – of the debts, future debts or of the credit rates.

an active approach – that a management of the currency risk which may take the form of an active management of particular currency. In this case, we consciously decide to leave a partial or total degree of exposure at risk (including full insurance) can occur when we believe that the currency reached to an advantageous course for us

The main benefits arising from the management of the currency risk:

eliminating or limiting the influence of exchange rate changes on the profits or the costs;

improving the planning and management conditions of solvency and additional financial costs elimination

possibility of using the current rates, favorable of the currencies to fix the value of the future financial contributions

The risk management in the investment process is based on the idea of stabilizing the increasing dynamic of the portfolio's value, while achieving the planned profit, which is the objective of the investment. The management involves, in this case, the acceptance and daily implementation in practice of a collection of principles related to the size of open positions, of the expected risk and of the markets we undertake.

The proper management of the risk is the deciding factor, of prime importance, of a successful investment.

The principles that must be established mainly concern:

the magnitude of the employment on the respective market and the global exposure degree – at establishing the limits it must be taken into consideration the volatility of the market, correlations between the exchange rates, the number of capital invested or the situation on the market (how many lots we can buy/ sell at an equity share data).

Closing the positions that generate losses – the rules relating the closing loss – making positions should be established before making investments (for example the loss of one of positions cannot exceed 5% of the capital).

The established principles must be respected consistently.

the use of protection orders such as stop loss to protects the capital by the excessive losses

resistance to large exposures over the weekend, taking into account the possibility of the increased volatility of the price

Using the stop orders in the investment activity is a indispensable instrument and particularly popular of risk management. The stop orders may appear as:

stop loss, with the specification of the maximum accepted level of loss per transaction, after overcoming its closed position;

trailing stop, with closing the transaction when a particular part of the assumed risk resulted in losses;

breakeven, with closing the transaction at a price close to open the position, before the apparition of losses

The size of limit at placing the stop order can be established based on:

market volatility – such a solution allows to adjust the level of protection at the existent conditions on the market by using a corresponding volatility index (for example ATR – Average). In the case of the characterized periods by a substantial volatility, the level of protection is far from the actual price. In the case of more stable periods, the system reacts to small changes of the market.

Graphs – a heuristic method that starts from the premise that the stop loss orders are placed near the important level from the graph analysis point of view. These important places may include the previous points of the market (minimums and maximums), limitation of the trend line or the outputs from the technical formations.

technical indicators – the transaction which closes the position is completed when the selected technical indicators reach a certain value. An example would be the transaction which closes the position when the prices decrease under the continuous average at a certain parameter.

size of potential loss – closing the position in the moment of occurrence of a certain level of losses. The level of acceptable losses is established before the opening of the given position and does not suffer further changes.

the available capital – a method according to which the moment of closing the position depends on the capital's available level by the investor. If after clearing the transaction the portfolio's value of investor decreases to the established level, the position is closing.

Size of deposit – level of acceptable loss is related to the current level of deposit, based on the volatility of the instrument and on market rules requirements. The position is closes if the losses level reaches a relative part, made default from the deposit.

A valid system of money management takes into account the following:

Size of portfolio

Control over the loss – using the order Stop Loss

Earnings protection

Rate risk-benefits

Using the obtained profits

Efficient use of a money management system will ease the maximization of the profits on long term and at the same time the limitation of the losses, independently by the efficiency degree of the transactions.

Portfolio value

In principle, each investor must establish from the beginning how much from its account value will assign to each transaction. This proportion should not represent the maximum loss distributed to that transactions but the money allocated in margin. The share assigned to each

transaction it mustn't exceed 30% from the account value. The exact value must be chosen by each investor in part depending on the own aversion to risk.

Losses control

If the loss is the only thing that an investor can control, then before opening a position, he must determine the maximum acceptable loss. As share the maximum loss if of 5% from the account value. The loss control is achieved through the Stop Loss orders. Next we want to exemplify the choice of exposure and the level of stop loss.

As assumption are taken the followings:

Initial Capital = 20.000 USD

Maximum Exposure – 30% from the initial capital

Maximum loss – 4% from the initial capital

AUDUSD – 4.4000

The margin blocked in transaction it is:

6000 USD (30% of 20.000 USD)

Margin for a lot AUDUSD

1000 USD X 8.8000 = 8800 USD

Traded volume:

6000 USD/8800 USD = 0.60 lots (0.68)

Accepted maximum loss is – 4% X 20.000 USD = 800 USD

Pip value (0.6 lots) for AUDUSD = 6 USD

800 USD / 6 USD = 133,33, so there are 133 pips

Setting the Stop Loss level is based on the chart, level that if it is touched it negates the previous scenario (lines of support/resistance). Example: The investor forecasts the course growth and it opens a buying position at the level 0.8866.

Opening the last minimum at the level 0.8790 contradicts the scenario so it is recommended to place a order of Stop Loss below this level.

Breaking the support is the denial of the scenario, as we can observe an on the graphic once rejected the course on graphic it is indicated to place the order of Stop Loss with 1-2 pips below the support level. It is indicated thus, to open a buy position after it was touched the support line. In the same time we observe on the chart bellow that once reached the Stop Loss the chart continued a downward trend.

At the same time we can observe that on the graphic below once reached the Stop Loss point, the graph continued on a downward trend, so it's appropriate that the investor to follow the market to have the possibility to maximize his profit.



Figure 1. Example of the Support Level and Support Level Break

In the graphic above we have a decrease after the break of the support level from 0.8866 to 0.8135, practical a very favorable decrease of 731 pips. This kind of decline is not very common so therefore it's better to use and the trailing stop order because when it reaches the maximum of the minimum and it goes high again, in the

moment in which the market rose with 15 pips, the transaction stops automatically, bringing to us a significant profit.

Below we have illustrated the use of stop loss and take profit orders, it can be also observed that from not much time of opening the position we entered on profit.

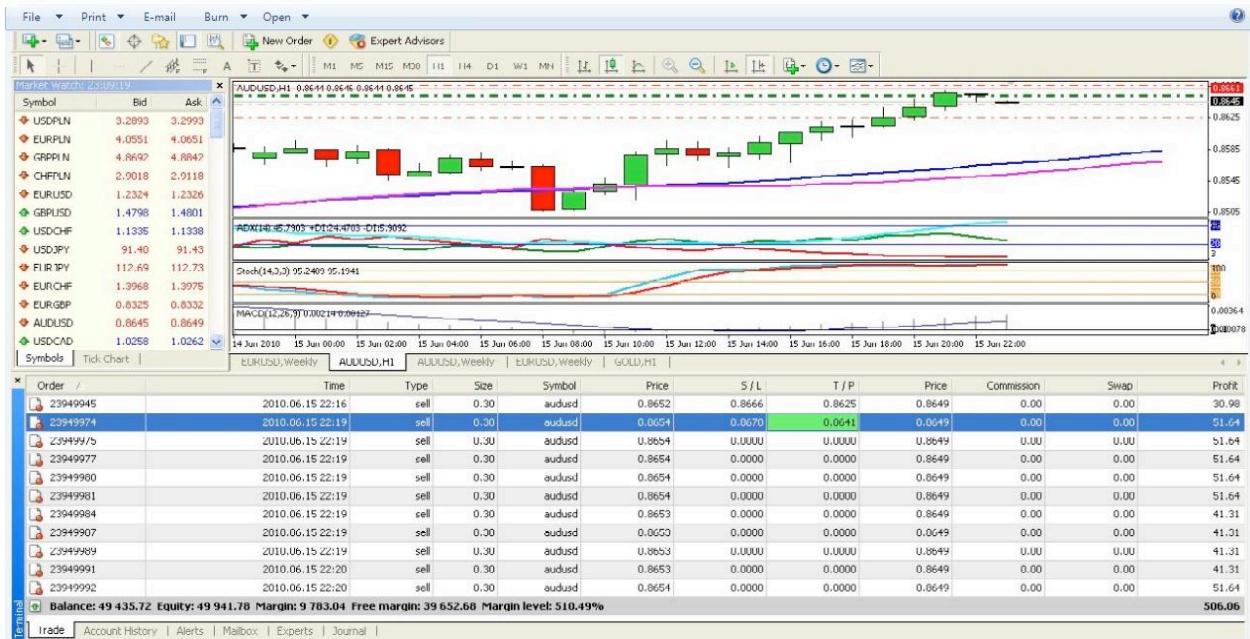


Figure 2. Example of the usage of Stop Loss and Take Profit orders

Here we started to sell, more exactly in 10 consecutive orders of sale, for starters we tested our premise that the market will move in downward trend after the last indecision expressed in the market by the last candle on the graph. Moreover we used orders of Stop Loss and Take Profit on the first2 transaction to observe if the market moves towards that direction. After only 5 minutes as it can be observed on the graph the market was moving in the direction which we assumed and, was to reach the first level of take profit highlighted with green on the transaction.

From the Money Management point of view the investor must establish the volume that it allows the choice of the previous level of Stop Loss, without the possible maximum loss to exceed certain percentages from the trading account, for example 4%.

An investor opens a buying position at the level 0.8866. The optimal quotation of Sop Loss is under the level of the last minimum at 0.8790 (76 pips). The investor mustn't choose a traded volume which it would allow a greater loss then 4% from the overall value of the account (20.000 USD), meaning a maximum loss of 800 USD.

In the case of AUDUSD this would mean 0.2 lots, with a value of rating step of 5.15 USD. This level of Stop Loss is in accordance with the recommendations of the technical analysis and of the Money Management.

Stop Loss Statistical Analysis

Investor 1

Profit: 20%

Loss: variable (closing the transaction because of emotions here having a significant impact the psychological effect on the investor)

Efficiency: 50%

Investor 2

Profit 10%

Loss: 3%

Efficiency: 33%

Below we have presented the statistical positions of the two investors in which the first one doesn't use the money management system and the order of Stop Loss, and the second uses the money management system and the Stop Loss order.

Table 1. Statistical position of the 2 investor

Investor 1		Investor 2	
20.000	+20%	20.000	+10%
24.000	10%	22.000	3%
21.600	+20%	21.340	3%
25.920	25%	20.700	3%
19.440	+ 20%	20.079	+ 10%
23.328	35%	22.087	3%
15.163	+20%	21.424	3%
18.196	15%	20.781	3%
15.467	+ 20%	20.158	+10%
18.560	5%	22.174	3%
Total 17.632		Total 21.509	

It can be concluded by observing the final total of each investor in part, which by applying and respecting the money management strategy and through this kind and the losses control. The second investor has managed to achieve a profit of 3877 USD compared to the first investor, considering that first at his turn has not used a specific strategy but only the pursuit of profit itself, but in the finally lost 2386 USD compared to the initial capital that he had at the beginning of the investment. This was an example of using loss

control and obtaining profit, independent of the market course.

Conservation of profits

When an investor obtains an increasing profit, the conservation of the profits by changing the level of Stop Loss is a important guarantee. Change of the Stop Loss level is analyzed on the base of technical analysis and namely of the lines of support and resistance.



Figure 3 Example of using the SL order, and transformation of Resistance level into Support level

Any investor as it is well know controls only the possible losses. No investor knows the size of the initial portfolio. The report risk – benefits helps at obtaining profits without taking into account the efficiency of the transactions. The minimum benefits should be at least 3 times higher than the maximum possible losses. Report Risk-benefits minimum = 1:3

Premise

The investor will risk 4% of its capital (20000 USD), meaning 800 USD. Thus the minimum profit afferent of a transaction is equal with 800 X 3 = 2400 USD. Taking into consideration 10 transactions with an effective rate of 30%

7 X 800 USD = - 5600 USD

3 X 2400 RON = + 7200 USD

Result = + 1600 USD

Even with a very small percentage of efficiency the investor can obtain profit.

Using the generated profits (an important decision)

When is obtained a profit it must be put the following question: I should reinvest the profits or withdraw the earned money?

The final decision depends on each person in the idea that the withdraws are necessary as and an important source of motivation, but on the other side reinvesting money increases the possibility of occurring new higher earnings in the future.

Conclusions

The money management is a part of the trading process that deals with the percentage allocation

of the capital on each transaction in part. The importance of money management consists in maximizing the benefits and minimizing the losses. The wise management of the money it is an art that allows the generation of benefits inclusive in situation with an unfavorable forecasts.

The exchange risk is one of the many types of risk at which is exposed an enterprise. It results especially from the participation of the enterprise at the foreign trade, from making investments in nature or in capital outside the country or attracting of financings under the form of loans expense accounts in foreign currencies.

The safest way of trading is by creating the own style primarily of trading. The trading itself is easy, but the psychological effect is the one that make harder for the decisions to be taken. To be able to trade profitably, the investor must first prepare themselves psychologically, because it is what makes it hard to take decisions. Therefore one of the most important factors which helps at obtaining success on the forex is the psychological training of the investor to accept the risks and to be able to take important decisions from the investment domains under the influence of stress.

In conclusion, the money management system is destined to keep in game the investor, despite his losses.

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TRADITIONAL AND NEW ELEMENTS IN STRATEGIC THINKING

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ABSTRACT

The past two decades have changed the operational conditions of companies. The spread of globalization, IT and the internet have generated unprecedented gains and their effective interconnections have produced new conditions for competition, new ways of rating value and accelerated changes. Has strategic thinking been reshaped as well?

We might think that the turbulent environment has swept away the important results of strategic thinking, thus a change in paradigm will have to follow. The researcher - browsing through some articles on strategic management in prestigious journals issued over the past decade - encounters something else. We can see that the course of the evolutionary development of strategic thinking characterized by the past four or five decades has been continued. However, it has been adapted to environmental changes and the formal start up and central elements of the strategies have undergone significant transformation. The existence of a major financial and economic crisis – a compelling condition to force a change in corporate strategy – is mostly missing from studies found in professional journals up until 2008, and again this proves the limits of forecasts.

The research in the professional literature – from the perspective of methodology - qualifies for a kind of processing... References used here are studies published in leading strategic journals during the past decade, selected through personal reflection on taste, field of interest and the earlier activities of the researcher.

Keywords: strategy, strategic planning, globalization, forecast methods, economic crisis

INTRODUCTION

The first decade of the 21st Century has taken off quickly. Quickly though, but very eventful.

The last decade of the past millennium was characterized by the incomparably quick development of IT, the break-out expansion of the internet, the spread of globalization and, as a result of those factors, the birth of huge fusions.

However, it is important for our subject that two events of great significance happened to influence the global economy and along with it corporate strategies. The rising stock-exchange balloon of the IT companies burst (1st quarter of 2001) and the attack against the WTC Towers in New York (11th September, 2001) that shocked the world.

The IT revolution, the vision of the new economy and the shocking events along with the euphoria of the turn of the millennium all led to a gradual questioning of the necessity for and the facilities of creative corporate strategy-making. „Are strategies really important at all?” this question was addressed to famous strategy researchers and to practicing professionals at the European Business Forum in the Fall of 2001 [European Business Forum 2001, Issue 8. winter 2001/2., p.7.].

Firstly, the attack aimed only at formal strategies [Mintzberg, H., 1994.]; however, there were antipodes which sought to bury the so-far existing strategic paradigm based on the internet [Evans, P., 2000.]. All these opinions, however, were unable to talk the world out of the

importance of strategic thinking and foresight, but they did delay the process of development thereof – and some say cause damage to corporate practices as well [Grant, R.M., 2003.].

What happened afterwards? The seemingly relaxing American economy was shaken by a series of accounting scandals, and while IT development continued its unbroken production of astonishing novelties (FaceBook, Twitter, Wikileaks); the effects of climate change became more and more obvious. The World ran into the consequences of the eruption of the Eyjajall volcano, there was an unprecedented oil catastrophe in the Mexican Gulf and on top of that the bursting of the real-estate balloon in the USA in 2008 sparked a financial and economic crisis, with ongoing effects even today. The most developed countries of the present world have to face restructuring of the global economy, the continuous strengthening and the frantic growth of the financial and real-economy of China, India, Brazil, and Russia. While writing this study the Arabic world is in the state of commotion, while international oil prices break records.

Did strategic thinking respond, and if so, how, to all these events; did science and practice produce new theses and methodological developments?

What has been realized, or what seems to be being realized from all those visional zed radical changes and predicted changes of paradigm published at the turn of the millennium? Is it possible to determine any sign or forecast about the crisis before 2008 which called the attention of the actors of the economy to think over existing strategies, to think differently from before?

The researcher is naturally interested in (along with and in relation to answers to the above questions) whether the scientific chapter of strategic management disposes of stable references and valid results for the period in question (and/or successful practical outcomes), or does the phrase hold here that only change is certain?

„THE PAST IS NOT A STRAW MAN”⁸

For the 40 year anniversary of the Long Range Planning Journal, two co-authors addressed a “warning” about strategic research and practical professionals based on their serious analysis on the related articles published during the past 4 decades. The study, called “Guide to the future of strategy” draws an important conclusion –one important future trend - with the means of analyzing frequent occurrences of strategic tools and methods connected to strategic categories within certain periods, as well as referring to frequently quoted authors and related articles. In their opinion there is a shift from the judgment of the strategic management “archive”, whose limited utility has been referred to as obsolete and simplistic.

Thus we can comfortably refer back to the “great veterans” of strategy creation, as was done by many authors in the early 2000’s. Mintzberg, along with two co-authors, wrote in the preface of their compelling book which undertook a study of approx. 2000 pieces of professional literature with the conscious aspiration of collecting reference works of old professionals of great learning

“We are convinced consequently, that time has a similar effect on the literature of strategic management and practice, as much it has on wine aging in barrel: i.e. reveals its excellent qualities” [Mintzberg, H., et al. 2005. p. 19.].

Of course, there are publications accounted as exceptions, like the book of Schumpeter from the 1930s, or the book of Selznik from 1957. Researchers no longer neglect quoting publications from the '70s. It is evident that M. Porter’s work is accounted for as an unavoidable personality in strategic management literature ever since his first comprehensive work published in 1980, to date.

⁸ Cummings, S.,- Daellenbach, U., 2009. p. 257.

The statement is supportable even through this formal approach, that though corporate strategies based on the environment are changing with an accelerated speed, there were lasting research results, trustworthy models and technical developments in the field of strategy creation (e.g. SWOT-analysis) which serve as roots to hang on to – eventually to be actualized according to the times.

When we highlight the toolkit of strategy creation, or more generally the strategic toolkit of management separately, as an element relative easily searchable related to our subject, we might also face the fact that we have been using certain "basic methods" with fondness for ages. To examine the inter-connection of business science and practice the authors can mention the examples of PEST, SWOT and the Five Forces Model as seemingly ever-lasting frameworks [Hughes, T., et al 2009.].

To start with, it is noted in advance that strategic decisions are in themselves risky enough, thus many are unwilling to try new methods. Attention is called however to the hazards of following that approach, which hinders methodological innovation... Paul Knott reports about the results of the empirical research conducted on that subject in the Journal of Business Strategy [Knott, P., 2008.]. It turns out that there is a "normal" explicit or implicit process of the use of those tools.

In that case, those are serving the foundation of business goals. The implementation might serve communication purposes as well as often acting as a change-catalyst, when the result of implementation supports the necessity and eventually the direction of change. Naturally, we can speak about the life-cycle of some tools and techniques. We can find out from the quoted study that, for example, the Delphi method started to spread from the end of the '60s, reached its peak about 1970-72, and has been used less ever since. Similarly, there was an up-swing period of "portfolio" techniques (1972-1985), but there have hardly been any publications mentioning it since the end of the '80s. At the same, however, the scenario method, for example, after a downward slope in the '90s revived, according to the articles. [Cummings, S., at al 2009.p.240.].

Finally, if theoretically we "place next to each other" all the identified toolkits and the rate of their implementation published in 2008 [Knott, P., 2008.] as compared with a test result conducted in 2000 [Siddle, R.,-Rigny, D., 2001.] The conclusion can be drawn that, beside some perceptual and interpretive differences, there have hardly been any changes in this field during the last 5-6 years. It has to be noted that the rate of users did alter in case of some techniques. Such remarkable bias among other things, was detected in the field of customer-oriented leadership (CRM), showing 35% use in 2000, 90% in 2007; or for the implementation of 'vision and mission' the rate dropped from 70% to 20%. However there were no detectable changes in the spread of methods of basic competencies, or reorganization of business processes.

The symptoms dealt with support those standpoints explaining that planning and the development of strategy creation can be considered a multi-cycle, evolutionary process, in which single periods have characteristic features, but there are possible overlaps in time and in content to be detected as well, like the predominance of the principle of keep - improve, i.e. the integration of some of the results of the previous phase into the thinking of a new cycle [Gardner, J.R., et al 1986.]; [Taylor, B., 1986.]; [Grant, R. M., 2007.].

The authors referred to above deserve detailed quotation; however some of the characteristic features of the evolutionary process – to my knowledge – will be touched upon as the base of one of the latest studies.

The authors outline the features of roughly 4 decades, according to analysis in one article published in Long Range Planning, beginning with the impact of Chandler, Ansoff, or Porter, or mentioning such "icons" such as the BCG matrix, or the Five Forces Model. Mintzberg "attacks" against formal strategic planning in the early '90s are regarded as a kind of turning point [Mintzberg, H., 1994.], about which Grant has spoken quite negatively after the turn of the millennium, declaring all those damages it caused to the development of strategy creation [Grant, R.,M., 2003.]. The authors describe that process with an interesting, but apt subtitle: "The decline of the future and the rise of the 'ante'"

[Cummings, S., et al 2009. p.251.]. The authors have recorded interesting experiences as a consequence of the examination method cited in the table below:

Table 1. The altering eye: different language tense of strategy

1960s	1990s	2010?
Strategy as NOUN (i.e., thing)	Strategizing as VERB (i.e., actions)	Strategized or "becoming strategized as ADJECTIVE (i.e., quality) or ADVERB (i.e., manner)
The big decisions in the <u>present</u> that aim the organization <u>toward</u> particular targets in the <u>future</u>	How <u>past</u> practice/process create patterns that <u>shape the present and the future</u>	How <u>future</u> desired characteristics (e.g., greater orientation greater integrated effort) <u>encourage activities in the present</u> (e.g., branding, planning, process) that build a manner or way of proceeding

Source: [Cummings, S., et al 2009., p.253.]

And how do they visualize the future?

One of their conclusions springs from the so-called "striving categories". Namely, in the analyzed articles those initial (i.e. end of the '60s, and the '70s) keywords like association, organization, fusion, joint venture were changed for knowledge (and learning), network (and connection), culture and social responsibility (together with business ethics). The latter were called "striving categories", from which the first three are connectable to the sweep of the resource based principle, the other two in turn to the recognition that the organization influences its social and ecological environment.

They expand another section of future trends into 5 fields, or rather attributes, as described below:

The concentration of eclecticism, which requires a kind of unison move in some essential fields by researchers – besides having their colorful approaches, meanwhile the practical professionals are recommended to use much courageously those seemingly more crystallized frames (e.g. organization, process, change, etc.)

That strategists become more like politicians, i.e. the theory relates to the strategy, as to a political experiment, further in practice, such elements as command and control will play lesser roles, meanwhile effect analysis, stakeholders and internal marketing come forward.

That strategy be like art: factually their relationship will get greater attention, while more concentrated effort is needed on watching attributes resulting from an "artistic nature" within the organization.

Back to the future, which indicates that once again we have to esteem a future orientation (perception), such as e.g. forecasting, intuition, idealism, and we have to trust visions, missions and strategic leadership in practice respectively.

The past is not a straw man: the strategic management archive helps us in the present as well; we have to approach with greater appreciation all those good theories which were born in the past [Cummings, S., et al 2009.p.257.]

EVERGREEN SUBJECTS, INNOVATIVE EXPERIMENTS

As it is almost „obligatory” to go back to earlier writings, similarly, it is possible to discover „evergreen”, or – as we remarked earlier – „improved topics”. Without the claim of completeness we hereby mention a few of these:

Planning And Performance

Planning is the essence of strategy creation and those features and properties, as well their correspondence to corporate performance are favorite topics of researchers [e.g. Roney, C.V., 1976.] [Pearce, I.A., et al., 1987.] The latter author – using a remarkable team of mathematicians – found just a “faint” correlation between the two factors. The empirical test, involving numerous English companies, did not verify the hypothesis of correspondence. [Falshaw, J.R., et al., 2006.]. At the same time, studies introducing the practices of strategic creation among small entrepreneurs – taking into account the evidence for low grade formal planning in that sector – found strategic thinking within the parties with proven growth in demand (e.g. the capital structure of small enterprises is based on long-run resource use and management, they understand the value of positioning, they are aware of customer demands, there is enough concentration for the scopes and goals of the companies, corporate values are obvious) [Graham, B., 2007.].

This research aiming to discover a correlation between market orientation and performance deployed a serious team of mathematical statistics. The verification of that hypothesis proves that neither grade of market orientation nor knowledge of information flow substantially influence performance [G.Thomas, M.H., et al., 2005.].

Beside market orientation, there are similar types of studies operating naturally with different take-off foci: perhaps the most popular among those is the research on adequacy to stakeholders in

which strategic performance is measured in terms of its adequacy. The utility functions of the stakeholders are involved into that method. It is stated with good faith that the tighter the correlation between the company and the utility function of stakeholder is, the more information is available about the eventual existence of alternative stakeholders, the more updated and innovative related possibilities are discovered. [Harrison, S.J., et al., 2010.]. We may speak of another experiment connected in turn to resource-based theory which examines the changes in performance of identical decision-making based on similar resources. [Kuna, H.M., et al., 2010.].

It is worthwhile taking care with another element, as a novelty, namely the invitation of culture into research. The summary result is, while there is a low grade evidence of a connection between culture and planning, that culture may moderate the interrelation of planning-performance. Namely, there were special cultural values successfully identified as being responsible for influencing deviations in planning-performance accounted for by differences in cultures. The study of Hofstede is based on his research of the specific cultures of Anglo-Saxons, the Nordic and German peoples, showing some minute relationships (e.g. the dispensation for of rational planning is much stronger among the Anglo-Saxons and the Nordic peoples). On the whole, those effects are not really dominant regarding the relationship between planning and performance [Hoffmann, R.C., 2007.]. Thus, the empirical research in the field of strategic management are consistently “trendy”. It is not the same however regarding the quality of their scientific methodology. There were publications, of which 40% were based on inappropriate research method (due to size of sample, analysis of one or multi-variable models, rejection of the “0” hypothesis, etc.) [Boyd, B.K., et al., 2005.]. It is worthwhile paying attention to this warning.

'Only' The Rationale Is Unclear

The “layman professional”, who only wishes to apply the “blessings” of strategic management

would think that during those 40-50 years those responsible would have been able to clarify what strategy actually is – and if there is any, and if so, what is the difference among strategy, planning, strategic management, and similar other categories. Is there a theory of strategic management and what is its relation to the practice? Are researchers dedicating their work to "A"-category journals, or to practice, and exactly what and who are Business Schools teaching about strategy?

The answers to these questions could fill up a separate book; however this time we will not quote from the '60s and the '70s, but from the studies of the first decade of the 21st Century.

The Strategic Direction journal deals with the definition of strategy in one of the editorial

Table 2. Rankings of Planning and Strategy as Keywords in LRP Abstracts

Years	1968	1971	1975	1979	1983	1987	1991	1995	1999	2003
Planning rank	1	1	1	1	1	2	4	6	15	40
Strategy rank	-	115	2	2	1	1	1	1	1	1

Source: [Cummings, S., et al. 2009.p.246.]

According to the cyclical array by Taylor and others, the terms 'strategic planning' appear from the mid '70s, and 'strategic management' from the '80s [Taylor,B.,1986.], Mintzberg and associates have proven in their book how colorful the interpretation of strategy can be, and mostly, how colorful the practice thereof also is [Mintzberg, H., et al., 1998.].

It is difficult to answer the question why all this is still an issue after 10-20-25 years, and who is interested at all. Why? Indeed, because strategic creation in its wider aspects should be part of management science, as a discipline. In turn it should hardly be separated from practice.

But the theory of strategy receives plenty of criticism:

articles of 2009. It refers to a number of pieces of published literature analyzed, but first of all to a study published in the French Journal of Management Development, stating that the professional literature and the business world use mixed, many times as synonyms, words like strategy, planning, strategic thinking, strategic planning, management, goals, and tactics. Their suggestions are for scientists to stick to unified definitions and meanings and to apply those consequently in the professional literature [General review – Strategic Direction Vol.25. No.4. 2009.] An analysis of Long Range Planning journals quite tangibly shows how strategy has taken over the place of planning in the glossary of professional literature.

Research focuses rather on the management of knowledge, than upon how knowledge effects corporate performance

Most of the strategic research emphasizes the "what" instead of the "how"

There are very few effective channels for communication between researchers and practitioners

The main goals of the researchers are to publish in highly respected journals, while practitioners do not read quality literature but 'best-sellers'. [Hughes, T., et al., 2009.].

We can hardly reason with all those critics, but for the record, strategy creation goes practically on its own course -, indeed, in a substantial number of cases a kind of "overtaking" can be observed; i.e. approved practical solutions are

"lifted up to the theory level" (see: the multitude of empirical researches)

In this regard the continuous critiques of Business Schools are interesting as well. We could have read, even in the '80s, that schools and universities have to understand the knowledge needs of their environment and should work out a framework (on a multi-disciplinary basis) for cooperation [Hughes, T., et al., 2009.]. Surely, there is some truth in it, only it has a kind of piquancy: in most of the cases those opinions are declared by persons with a Business School certificate in their pocket, which allows them with their highly qualified knowledge to obtain leading positions in the business world, and from that moment on they believe they are qualified to slam those excessive theory-minded curriculums which create a continuous distance from practice.

Speculate on those critiques; the question should be raised: whether there was really always that deep gulf between the theory of strategic creation and the practice throughout those long decades? The answer should be a definite NO, which can be supported with many arguments. I am highlighting hereby a continuously disputed, more impressive subject, on a theoretical level, namely the question of 'formalization'. There was a continuous debate about the possibility of bringing the tools of planning and strategic creation in their process, content, methodologies, realization and control to equated terms during almost every phase of the evolution of planning.

On top of that, answers given to that particular question could signal the limits of their development periods. That was the reason to change (e.g. the global economic conjuncture based low level competition featured long-run planning for the more adequate strategic planning based on supply-market) sector competition categories. [Taylor, B., 1986.].

Scientists and professionals were debating, but there was little withdrawal from features of formal strategies in practice. Henry Mintzberg's impressive article entitled "The rise and fall of strategy" was almost a line of demarcation, by having the key-sentence:

"Three decades of experience with strategic planning have taught us about the need to loosen up the process of strategy making rather than trying to seal it off by arbitrary formalization." [Mintzberg, H., 1994., p. 114.].

I will prove through references (more recent ones as well) that the debate has not left practitioners and leaders out in the cold.

Grant, concentrating on industrial oil corporations, holds as a mistake that those companies were cutting back, or dissolved their departments of strategic planning in the second half of the '90s. He primarily holds Mintzberg responsible for the fact that the development of strategy creation was halted, while he finds it positive that not everyone has taken Mintzberg's advice seriously. Nota bene: Mintzberg was strongly against planning organizations.

In his opinion, the No.1 cardinal sin of planning is the following:

"The control of process was taken over by the employees" [Mintzberg, H., et al., 2005. p.77.].

Thus Grant finds formatting necessary to a certain extent or its reemployment in practice. Namely, according to his opinion:

"Strategic planning processes have changed substantially over the past two decades in response to the challenges of strategy formulation in turbulent and unpredictable environments. Strategic planning processes have become more decentralized, less staff driven, and more informal... permitting... greater adaptability and responsiveness to external change." [Grant, R., 2003.p.515; in: Cummings, S., et al 2009.p.249.].

Kaplan and Norton, referring to more than one and a half decades of corporate performance analysis, state that most of the companies have lots of ambitions, but the plans are rarely realized. One of the main reasons for that deviation – according to the authors – is that strategy creation and realization are separate from each other. They suggest, as a solution, the setting up of strategy management offices with the following tasks:

mapping out and managing a benchmarking system

developing a consistent strategic approach within the organization

supervising strategy

developing of strategy

communicating strategy

managing initiatives.

The department should come under the CEO, and not commanding, rather extending possibility – according to the authors. [Kaplan, R.S; Norton, D.P., 2005.]

The subject is touched upon also by another great authority of strategic thinking: Whittington with co-authors in 2008: the title of their study "The Craft of Strategy" refers back to an article of Mintzberg some 21 years ago with the title "Crafting Strategy".

Their starting opinion is that it is high time for scientists to revive strategic planning along with its formal features. As reason for that, it is noted that according to the assessments from among the responding companies, 80% in 1996, and a record peak of 88% in 2007, confirmed their intention to carry on with strategic planning. In this context it is justified to set up a Chief Strategic Officer and his organization, or an analysis of their performance. The vacancy ads prove that strategic planning is "sweeping" the United Kingdom.

The solution to the controversy: the spread of strategy as practice. Our ambition – the authors declare – is a revival in the research and teaching of strategy planning. [Whittington, R., et al., 2008.]. Another much cited study captures

the evolution of strategic planning of General Electric between 1940 and 2006, during the tenure of 6 company CEOs. [Ocasio, W., Joseph, J., 2008.]. The practice of planning became more and more formalized - organized after the conception creation in the '40s - tracking various organizational solutions. In many cases the company itself gave home to develop new management and /or tools of strategic planning, but by all means has followed the frontline of world developments (e.g. the development of a decentralized strategy based on business units). Jack Welsh (1981-2001) cut back significantly on the series of elements of formal strategic planning, including the organization thereof (the period referred to when disputes started). His follower, Jeffrey R. Immelt (2001-) quasi anticipating the suggestions of researchers in the first decade of the new century, has changed back many formal planning features - among other things the category of strategic management has been changed back to strategic planning. It is important to note from the study that there is no singular form of strategic planning in service of the company goals. The CEO has to adapt that planning system to meet the vision of the company.

Long Lasting Models And Theories

A remarkable proportion of the studies published in the journals listed in the introduction deal with the adaptation, improvement, effects of interrelation and mainly reconciliation of basic models of strategic management, or - if you like - paradigms - such as M. Porter's generic strategies, the theory of competitive strategy, strategies based on competencies and resources and their theoretical-practical problems, the subject of value creation, the various values (owner's, customers, stakeholders) interrelations, or the dilemma of relationship.

Porter is forever: over and over again it is reconfirmed that the life work of Michael Porter proves to be long lasting. The predominance, or barely modified appearance of 3 possible strategic models (generic strategies) defined in his book 'Competition Strategy' published more

than 30 years ago [Porter, M.E.,1980.] Still attract researchers today.

Are those basic strategies to be observed in Japanese companies? - asked the authors as main questions of their empirical study in the Journal of Business Strategy [Allen, R.S., et al., 2007.]. The final conclusion was that the "cost-dictated" strategy is the most popular, utilized by 41.4% of the companies. The so called differentiating strategy is used significantly less (7.6%). At the same time, the so-called focusing strategy based on factor analysis was unidentifiable, but there were two other traditionally Japanese types identified instead: supply chain strategy 36.2%, and the training strategy 33.8% in prevalence.

For the last two types the authors remarked that Japanese companies were always well-known for their excellent relationship-building abilities with supply chain partners and that way their efficiency enhancing control system, as well as for their complex corporate training systems and the traditionally seniority based full-fledged supervisory control.

Another study used data from 200 companies in research to discover types of practical solutions utilized in order to realize one or another basic strategy within their own organizations. [Obasi, A., et al., 2006.]. 25 such "tactics" were identified and the intensity of applications were measured on a 7-grade scale. The Strategic Direction reviews a study of a Chinese author with the title "Business and strategy in China, why Porter's Five Forces Model is inapplicable". The interview with 70 Chinese executives, out of whom close to 90% had not heard about that model (note: within the Western countries this ratio is 33%), and less than 5% use it (in comparison with 33% in the West). According to the opinion of the researchers, Porter's work does not influence the strategic leadership of Chinese companies. Referring to Sun Tzu, who says: 'we have to prepare for war, but the best if there is no fight'; authors suggest that the Five Forces Model should be based upon cooperation and not on competition. [General review, Strategic Direction Vol.25,.Iss.6.].

Naturally, there are many who ask the question: "Why old tools won't work in the "new" knowledge economy" [Sheehan,T.N., 2005.].

The study suggests a smaller reshuffling and re-interpretation of Porter's Five Forces Model through the example of industrial software.

Many more try to develop the heritage of Porter. Similar types of experiment by Marius Pretorius are based upon the assumption that the 30 decades long influential competition strategies of Porter are applicable only in a normal competitive environment. But in the case of an after-crisis recovery situation, there is a need for replenishment of the traditional model. The essentially emergency situation has to be analyzed along two dimensions. One is the quantity of existing resources (redundancy or scarcity); the other is the reason for emergency. By taking these factors into account along with their 2x2 combinations one could shape basic strategies such as efficiency, low output, emergency, and crisis. The author himself also admits that the applicability of the model is not justified empirically. [Pretorius, M., 2008.].

Naturally, there are opinions which state that the basis of Porter's competition strategy is partially or fully outdated due to changes of the environment.

"At the beginning of the '80s strategic analysis concentrated on the proper choice of industry sector and market section, as well for the quest for top revenues by manipulation of market strength oriented market structure" [Porter, M. 1980.].

On the other hand, if the market structure is changing rapidly and revenues are quickly diminishing, it will be replaced by new resources of competition.

The effect of the resource-based corporate theories upon strategic management is attributable to two factors. First of all, since there is not enough evidence that the strength of monopoly is an important source of profit [Rumelt, 1991], thus Ricardo-revenues (marginal

revenues beyond the alternative costs of resources) seem to be a primary source for profit differences among companies. Secondly, if the outside market environment is in constant flux, then company internal resources and capabilities are to be considered a much more stable basis than a customer-focused orientation. [Grant, R.M., 1996.] (Nota bene: the referred-to source is the origin of Grant's later published articles (Grant, R.M., 2003), not his earlier works).

Resource-based theory clings on: with this opinion we could already "paddle" over to the topic of the other long lasting theory (although perhaps both could qualify for paradigm) - strategy creation based on resources and capability. In this case we can report that (mostly) all those related articles talk about the expansion of the application of the resource-capability based theory, possibilities of measurement, specifics of the industry sector, and do not try to explain its basis. Due to the above it is not astonishing that the top target for empirical research is the software industry branch. In that field there are two major distinctive groups of capabilities, namely customer specific capabilities and project management capabilities which are important for the ongoing investments into infrastructural and product development. The verification for the research hypothesis has led to the conclusion that income limits are decisive for companies with competence-awareness in decision making, upon which one can select the appropriate decision aiming strategy. [Ethiraj, S.K., et al., 2005.].

Unfortunately, for the really exciting question, which is recorded in the title of the referred to article, (i.e. "where do capabilities come from?") we cannot get an explicit answer. The topic of the measurement of capabilities naturally is the subject of other reports as well [e.g.: Dutta, S., et al., 2005.], just as there is another important related issue within the same category: how dynamic or (just the other way round) how stable are the capabilities; is it possible to change them constantly? [Schreyögg, G., et al., 2007.].

According to the authors, that question is in itself a dilemma, since the nature of capability, mainly

by involving resources as well, should require stability. To solve this they are trying to design a new function (monitoring of capability).

Values and interests as strategy focus: creating value has become the most popular and highlighted subject of the strategic management professional literature in the past years [Bowman, C., et al., 2007.]. The answer to the question: "for whom do we wish to create value by realizing the strategy?" identifies the take off for strategy creation as well as defining the focus point of strategy. It is well-known that the creation of value should be aimed at customers, owners (shareholders), as well as at the operationally related stakeholders, thus all those expectations will be decisive for the focus directions.

While there is great abundance in publications of research results in this topic, it can be also asserted that single focus categories as "sole starting points" rarely exist. The effects of practical experiences and the development of science surely lead to a broader platform to manage all interrelated effects and contradictions.

The article of Rappaport in The Harvard Business Review is good as a curiosity [Rappaport, A., 2006.]; here he defines 10 possible ways to increase shareholder value. Customer-orientation has been not completely neglected from focus the selected article proves this: it suggests that the organization is reshaped to guide them (and naturally the leaders) closer to the market and to the customers [Day, G.S., 2006.]. However, there is another tendency to be accounted for - as declared by Steve Jobs: "it is not the customer's responsibility to declare what he wants" - by this he wanted to explain that he did no market research before popping up with the iPad concept: one of the most decisive electronic products of the turn of the decade. [Népszabadság 2011. January 24th.]

It has to be declared as a fact that professional literature focusing on stakeholder groups as a start for strategic thinking are appearing more and more extensively.

There are many reasons for this. First, we could mention that stakeholder theory evidently

includes shareholders and customers as well. Secondly, those public accountancy scandals proved that there are many losers from a bankruptcy whose stakes are compromised.

On top of this, natural catastrophes have increased the pressure, thus as a result Corporate Social Responsibility (CSR) has become a central starting point.

It is not a coincidence that, concerning this issue, ex-president Bill Clinton has come forward as well, starting in his article published in the Harvard Business Review (Sept. 2009):

“The belief that companies must choose between doing good and being profitable is outdated; they increasingly understand that their responsibility to investors means being accountable to the society and environment in which they operate. Today, more of them are leveraging their core businesses to “do well by doing good”.

The Best To Pick Various Solutions

Topics under this section could have been integrated into previous sections. Issues taken care of here (mainly which are considered common features) are very important for both the theory of strategic management and for its practical aspects. We talk here about all supporting studies, a series of articles, which make suggestions for the harmonization of various theories, paradigm, starting points, foci – you name it – and through this also derive useful solutions for practice, presenting excellent examples, or just through empirical research findings.

The theory of strategies based on capabilities and resources has partly – as already introduced – been developed out of the debate on the essence of generic strategies, as it also became popular to talk and write about the dilemma of shareholder and stakeholder management approaches (today it has a remarkably smaller importance [Smith, J.H., 2003.] although managements have still adaptation problems).

The Balanced Scorecard model, designed by Kaplan-Norton, has formalized all those unavoidable cross-check obligations among respective elements; the expectations of customers, expectations of owners and procedure-based internal resources. The palette however, is much wider, as is visible from the summary below.

The creating value, as a “common multiple” attractive study tries to integrate Porter’s generic strategies with the resource-based approach [Parnell, J.A., 2006.]. Many wish to interpret, or improve even the customer-orientation, when coupling it with the realization of the sustainable advantage of competition [Adner ,R. et al., 2006.], or just the ownership value. [Bauer, H.H., et al., 2005.]. This latest one integrates the “customer capital” and “individual customer cash-flow” into the ownership value calculation. It introduces “the life-long customer value” and related indicators such as behavioral ratio, revenue, costs, or the more exiting numerical reference value, which is the product of the quantity of references multiplied by the reference potential. The value expressed in some currency forecasts the expected purchasing value (cash-flow) of a given customer. Sustainability, as the strategic goal aiming at stakeholders, was mainly presented as not necessarily a controversial item in the enhancement of ownership value. We came across such financial models as well (called by authors: ‘financial analyses serving sustainability’ [Castro, N.R. et al., 2006.]), in which a kind of index number system is created, which reflects on financial and environmental performance. According to the analysis, those sustainability actions have to be identified that bring profit to the company.

Finally, closing on the subject, it is worthwhile calling attention to the one study entitled ‘Future Scorecard’, which is based on the essence of the Balanced Scorecard and describes future, alternative ways for the organization with the help of a script to integrate both outside (market-based) and inside (resource-based) tools [Fink, A., et al., 2005.]. Evidently, this solution aims at alloying market based and resource based approaches.

We are confident that all the hereby introduced and enhanced thinking will guide the

development of strategic management towards the correct direction.

This review highlights that there is no omnipotent paradigm; no 'one and only' success-guaranteed leading model. The manager is compelled to be able to play many tunes in order to produce value for customers, owners and all the stakeholders. It is also proved that for the sake of competitive advantage an excellent market position is as much of a resource as basic capabilities and a resource-based strategy. The issue: when and which model should be applied, or how to solve the contradictions between them, belongs to the category of the art of leadership.

THE PRESENT CRISIS IS A HUGE EARTHQUAKE⁹

The metaphor in the title is explained by the authors of the study from two sides. Partly, its weight, duration and effect match that of a huge earthquake, while on the other hand it is also similar in terms of dubious forecasting and unpredictability. It especially applies to the second part: Why did forecasts fail? What alternatives are there?

There are records to prove the case: starting with an interview with the President of the USA (via the IMF) that a few months before the great stock exchange crash (10th October 2008) there was not a single sign of a crisis, indeed there were positive noises being made about the economy. The uncertainty of forecasts is of course not for each and every case or incident similar. There is a reliable methodological base available for detecting continuity between the present and future (called "metro-uncertainty" by the authors, since the normally distributed traffic of metro trains is rarely disturbed by extreme events) The other set of events and incidents belongs to the so-called "coconut-uncertainty" category (it is unpredictable when the coconut may fall upon our head); here people are inclined to underestimate the possible occurrence and process. The final conclusion of the study is positive; i.e., although it is to be accepted that

the company exists in an insecure environment, with some particular emergency prescriptions and actions, (better to say activities related to the future) we might somewhat protect ourselves.

Warnings for the importance of strategy in an insecure environment are maintained by others as well. Referring though to preparations for such cases specified only as possibilities, there is a need to consider a much larger set of forecasts as compared to those traditional ones, and to replenish earlier methods with open, inductive, creative supplements. All those together will qualify for the requirements according to that need to ignore „the present oppression” [Marren, P., 2009.].

Thoughts related to forecasting are naturally useful; however they might seem to be at the same time apologies. Since the financial and economic crisis is the reality of the end of first decade of the 21th Century, this has shaken the two dogmas of standard economic theory: that people are able to always make rational decisions, and that the invisible hand of the market is able to correct swings dependably. These are the introductory thoughts of Dan Ariely in his study published in the Harvard Business Review with the title "The End of the Rational Economics" [Ariely, D.,2009.]. Right away, he suggests changing it for a "Behavioral Economics" based on the idea that people are basically irrational, motivated by some unconscious cognitive processes. His listed examples to prove this are worth pondering, but do not seem to be convincing enough. Also, his "powerful proven cases" referring to the existence of a behavioral economy are rather interesting and appealing calls. Among those we can find the pricing solution of Apple iPhone. Namely, the company introduced the product to the market for USD 600, instead of a realistic price of USD 400, then soon they discounted to USD 400, thus they were able to make customers believe that was a very reasonable price.

The conception of irrationality can by now be found in every area of company operations, especially in those areas in which we have less knowledge (e.g. purchasing habits) – reads the final conclusion of the author.

⁹ Makridakis, S., et al., 2010. p. 87.

But what to do within the crisis? – could be asked from the scientists engaged in the study of strategy. Three important findings can be offered to develop and execute crisis strategies, based on examples delivered by companies which were able to survive earlier downturns [Kambil, A., 2008.]:

The proficiency in operations has to be maintained; the necessary steps should immediately be taken to ensure this

It has to be taken into consideration that the recession will not last forever. Alternatives have to be found to cutting costs and manpower, since these "simple solutions" could hinder expansion after the crisis ends

The consequences of crisis could be well utilized in certain areas as well. Opportunities may be offered to make necessary changes and have them more easily accepted by the organization, such as making favorable acquisitions, liquidations or refocusing solutions.

Similar advice is contained in other articles as well.

"Even during perilous times, change does not have to be radical. Indeed, minor modifications that go unnoticed can prove equally effective. The important thing is to ensure that any changes are appropriate, although not every organization pays homage to this necessity." [Strategic Direction vol.26. No.6. 2010.p.13.]

Nigel Banister [CEO at Manchester Business School Worldwide] draws attention to interesting statistics in an interview. During an earlier period of crisis the number of MBA students at the school increased. Even now the sense and the gains provided by the courses are not questioned, but on the contrary, nowadays these courses have become extremely valuable.

CONTENT IS SLIM

It is worthwhile stressing our opinion that strategy studies deal with pretty little content. What should strategies contain and say and what do they contain and say at all? Naturally, we refer here to the formulating experiences by patterns to adequately present expectations concerning sustainability or customer demands, samples related to corporate assessment and indices. One study compares the missions of Slovene and Canadian companies [Borislovo, R., et al, 2007.]. However such analysis as those exploring the reasons for public accountancy scandals (in Robert Grant publications [Grant,R.M., et al., 2006.]), the reorganization of oil industrial companies[Grant, R.M., 1996.], or their strategies [Grant, R.M., 2003.], or lately the internationalization of the financial services sector [Grant, R.M ., et al 2009.] do not really have followers.

Although not really similar in caliber to the related Grant studies, we can confirm that M. Porter's impressive studies and "statements" entertain very real content. He is the one who evaluates all major changes, or incidents related to, he evaluates separately according to the content of corporate strategies respectively, providing important guidance – not generally in relationship to changes or to incidents – but with their presentation and integration into strategy. We should remember that after the two oil crises, after the falloff of the long conjuncture period following WW2, and right when competition sharpened he published his book referred to as basic work to date about competition strategies [Porter,M.E.,1980.].

Globalization is speeding up, transnational companies are being strengthened, and competition is growing beyond international borders. He extends right away his conception related to basic strategies onto global industry sectors [Porter, M.E., 1986.] He presents his opinion about the internet, as well in connection with the consequences of some crisis incidents (see earlier) and lately he has provided guidance on the topic of Corporate Social Responsibility [Porter, M.E., 2006.] Recently, he has tried to convince the reader about the unavoidability of integration of the effects of climate changes, by explaining that

“Periodically, major new forces dramatically reshape the business world – as globalization and the information technology revolution have been doing for the past several decades. Climate change, in its complexity and potential impact, may rival them both.” [Porter, M.E., 2007., p.26].

If we observe this series of publications, we have to wonder a little why he is silent to date (to best of our knowledge) in relation to the present crisis and its effects.

THE GAME IS NOT OVER YET

Naturally, the array of publications is more colorful than described. In particular, the Journal of Long Range Planning prefers to publish studies of some country experiences. [Yoon-Dae, E., 2007.], [Markku, W., 2006]. The various strategic journals publish more often articles about China, Chinese companies and Chinese, business practice [Cremer, R.D., et al., 2009.], [Strategic Direction Vol.25. Iss:6.]. This is striking, as if there was a hiatus of articles attacking vehemently the general directives of strategic management. (In comparison it is worth mentioning the study of P.Evans titled “Strategy, the End of the Game” [Evans, P., 2000.], which denies all previous strategic paradigms which it finds irrelevant in the era of internet). If anything is worth mentioning, this is the news bulletin published by the Journal of Business Strategy under the title: “Down with strategy: in defense of short-term thinking” [Ezer, J., 2007.], which, according to the title’s essence, he classifies strategy and the possibility of development itself as a management myth.

Partly to follow up this subject matter it is to be highlighted, as an even more remarkable phenomenon, that those articles of strategic management published and surveyed in the second half of the first decade of the 21st Century do not reconfirm the radical changes which were forecast around the turn of the millennium in connection with the happenings of those times (like globalization, IT-revolution, the spread of internet, or the bursting of the balloon

of dot.com, or the perishing of the WTC towers in 11th September 2001). And what is with the new economy - is there a need for strategy at all? We have already referred to the article of Evans in which essentially he says...“there is a need for rule of thumb instead of paradigm” [Evans, P., 2000.].

It is fair to mention that, while all decisive researchers of strategic management, were signaling changes of trends, they never challenged the necessity for strategy creation. [See responses received for the questionnaire of the European Business Forum, 2001. Winter]. We hardly read about the new economy, while naturally there are examples and case-studies about the specifics of knowledge-based industry sectors. The subjects of globalization and the “internet as sweeping alteration” lost their position as central topics, although many deal with strategy creation methodology within a speedily changing environment.

It is not likely that all those world-shaping phenomena and technological changes will not influence the everyday operations of companies, pressing the need for development, influencing their thoughts, decisions and naturally their strategies. It is much more evident to conclude that the world has got used to living with change. These factors have forced a change not in strategy creation itself, but the information database, the speed of creation, etc. and the content of strategy (the issue to be dealt with). We could say that these elements have been integrated into strategic thinking, whereas its bases have been proven seemingly durable.

Perhaps it is interesting to mention one article entitled “Profits and the Internet: Seven Misconceptions”, which ponders on the 7 false concepts of the subject [Rangan, S., et al., 2001.]:

Popular error: the advantage of the first-mover

Popular error: “availability”

Popular error: “customer solutions” –the complimentary services rendered to customers in order to achieve an advantage in competition

Popular error: internet as sector

Popular error: the unique partnership

Popular error globally: everything as business potential

Popular error: technology equals strategy.

To sum up, the essence of this: there is great potential from the internet. However, companies should not be mistaken in relation to business opportunities, regarding what is possible to achieve with technology and what is expected by strategy.

We can state that the sober prophesies of M-Porter have been proven correct, since back in 2001, during the all out euphoric mood of many, he conceived of the internet as follows: "the next phase of internet evolution will trigger such a turn in thinking which will serve the return from e-business to business, from e-strategy to strategy.

"Only by integrating the Internet into overall strategy will this powerful new technology become an equally powerful force for competitive advantage." [Porter, M.E., 2001. p.19.]

CONCLUSIONS

The first decade of the 21st Century has not brought revolutionary change in the field of corporate strategy creation. We can state as well that on the basis of classic planning evolution cycles we cannot speak about a new development phase. Strategic management – with solid foundations in theory and practice set in the 1980s - was not replaced by a similarly strong and effective new system.

Nevertheless, we can assert that the process of evolution concerning planning, future creation never stopped. More and more values and motivations have been integrated into the start off and focus points of strategy, which due to their scaling separately, but mainly jointly have made the process of strategy creation more complicated, thus giving enough research homework to the professionals, forcing the managers into additional "artistic stunts".

Robert Grant, upon introducing a piece on the evolution of strategic management, has outlined the following attributes in his article entitled "strategy in the new millennium": Corporate Social Responsibility and business ethics, competition for standards (competition of standards), the winner takes it all, global strategies [Grant, R.M., 2007.]. Yes, the change triggered by IT, globalization, people and environment – including climate change as an even bigger impact – has delivered, or strengthened previously existing values and has altered the conditions and method of competition.

Perhaps we can assert at the same time that strategy creation itself, besides the surfacing of those regarded elements, will be based on an analysis of outside market positions, internal resources and capabilities henceforward. From the aspect of "evolution" it could be considered striking – even if only in some of its elements – that there is a return to the formal attributes of planning and strategy creation. In opposition to the strong undercurrent of the '90s denying the necessity and possibility of formal strategies, after the turn of the century it is recommended both in theory and in practice that companies internally strengthen the functions and organizational framework of strategic planning.

The global crisis in 2008-2009 caught the business world unaware. Once again it was proven true that forecasts are unable to handle a great many parts of the insecurities of the environment. For the time interval of a forecast it is possible to draw some conclusions from a study dealing with the crisis: his opening remark: "as the Reader is reading these lines the National Bureau of Economic Research probably declares the situation as crisis" [Kambil, A., 2008.p.1.]. This article was published in issue 5 of the year. At the same time – our subject respectively – it is a positive development that we do not hear voices calling for a burying of strategy or a rejection of the possibility of strategic planning. Indeed, in most of the studies it is unavoidable that already the treatment of the crisis, but especially the preparation for the post-recovery phase – though based on new wave thinking - but along elaborated strategies should be realized. Altogether it is also apparent reality that the professional literature does not provide enough munitions for the practice; what sort of

new strategies are needed and how can they be developed?

Naturally, there are also further questions remaining open

- Does the role of the state in the market economy change, does ownership structure change, and along with it the ownership value rate and attitude change or alter (and to what extent?)
- Does the global economy changing with accelerating beat (e.g. USA-China economic situation) demand changes and which of these changes are from multinational companies and which from suppliers?
- Are novelties appearing in the relationship of the monetary world to the real sphere?
- How should companies adapt to the scarcity of resource; are new elements coming up in the fight for comparative advantages?
- How does the world change sector-specifically (e.g. deteriorating industry sectors), and what comes instead? – and how can all those already successfully performing SMBs in many countries hang onto employees as well as remain significant determinants of employees?

Lack of formative definition: we can read in the study entitled "What is strategic management exactly?" [Nag, R., at al 2007.] That it is such a young area of science that it is missing an evolved definition. Not only does this opinion open, or continue the ever-green debate, but similarly, there are plenty of critiques of the connection between theory and practice, or the false perceptions of Business Schools or the negative and benevolent features of formal planning as there were 10-20-30 years ago. Nag and his associates' important conclusion gives however reason for optimism, by saying that strategic management is characterized by colorfulness, so, this way it remains attractive to managers. We have all the reasons to keep it that way.

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AIRLINE PASSENGERS PERCEIVED VALUE

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Abstract

The aim of this paper is to analyze the value of airline companies as perceived by passengers, by studying the differences existing between airlines with different business models. The most recent bibliographical review identifies three major dimensions of perceived value: functional value, emotional value and social value. An empirical study was carried out with a total of 1700 personal interviews with users of different airline companies. In the analysis of the data, first a study of the dimensionality, reliability and validity of the perceived value scale was carried out by means of a Confirmatory Factor Analysis using the Structural Equations Models technique. Next, a descriptive analysis was carried out applying the ANOVA technique, allowing identification of any significant differences between the means of several independent samples.

This paper shows airline companies how passengers perceive the functional aspects - installations, staff professionalism, timetables, punctuality, attention to complaints, price and non-monetary costs - as well as social and emotional aspects, all of them important dimensions for improving the management of airline companies, a sector that has recently been undergoing profound changes motivated by an ever more mature and competitive market.

Keywords: airline companies, business models, perceived value.

Introduction

The explosion of the low-cost airlines, has had an enormous impact on the civil aviation market. A specific segment of the users of airline companies are loyal to the low-cost concept, while others continue to prefer the traditional flag companies. The key question is to identify the elements that lead a customer to be loyal to one company or to another.

For airline companies, brand loyalty has today become the strategic key in a milieu as competitive as that in which they operate. In this context the analysis of the factors that induce higher indices of loyalty to the brand, which consequently have a decisive influence on buying decisions, takes on special importance.

The literature defends a direct relationship between perceived value and loyalty, such that when the value offered by an airline company to its users increases, so does the latter's loyalty (Forgas et al, 2010), hence the importance of analysing the value perceived by the users of the airline companies.

Thus, the objective of this paper is to identify the value perceived by the users of airline companies, by studying the differences existing between two different business models: traditional and low-cost airlines.

Perceived value

Perceived value is defined as the customer's judgement or evaluation following comparison between the advantages or the utility obtained from a product, service or relationship, and the perceived costs or sacrifices (Zeithaml, 1988). The construct is thus configured in two parts; 1) received benefits of an economic, social and relational order, and 2) sacrifices made by the consumer in terms of price, time, effort, risk and convenience (Lin et al, 2005).

In general, consumer behaviour has traditionally been studied from a rationalistic perspective, though increasing attention is being paid to the emotional component (Oliver, 1997).

Perceived value, as a cognitive or rational variable, is a partial vision, it being necessary to incorporate the affective component into the construct, remembering that perceived value is a dynamic variable that is also experienced after consumption, which compels us to include the subjective or emotional reactions that develop in the consumer (Sweeney and Soutar, 2001). Also, the affective component may play an important role, since among functionally equivalent alternatives, the emotional benefits may tip the balance when taking consumption decisions among different options (Havlena and Holbrook, 1986).

Taking as reference the Studies by Sheth et al (1991) and the PERVAL scale of Sweeney and Soutar (2001), Sánchez et al (2006) developed a post-purchase measurement scale of 24 items called GLOVAL (Global Purchase Perceived Value). The dimensions identified are the functional value of the installations, the functional value referring to the professionalism of the contact personnel, the functional value of the product or service, the functional value of the price, emotional value and social value.

Sheth et al (1991) consider that perceived quality is a component of functional value just like price. The first is a positive component, and the second, price, has a negative influence on overall perceived value (Sweeney and Soutar, 2001). Thus price and quality are functional factors that contribute separately to the generation of value (Sánchez et al, 2006).

To conclude, perceived value, by its multidimensional nature, incorporates both a

functional dimension and an affective one, which captures the individual's emotional aspects (concerning internal feelings or emotions) and social aspects (concerning the social impact of the purchase).

Methodology

On the basis of the bibliographical review and the qualitative study we proceeded to design the measuring instrument for the quantitative study.

Regarding the design of the questionnaire, the scale of measurement of the perceived value of an airline company's was based as reference on the GLOVAL scale of Moliner et al (2007) and Sánchez et al (2006). In the dimensions professionalism of the personnel and quality of services the contributions by Chen and Chang (2005), Liou and Tzeng (2007) and Pakdil and Aydin (2007) were taken into consideration, and in emotional value and social value the Perval scale of Sweeney and Soutar (2001) was also taken into account. In all cases the scales were adapted to the peculiarities and the terminology of the aviation sector.

The items of the questionnaire were valued by means of a 5 point Likert scale were 1 = Totally Disagree and 5 = Totally Agree. Also, to ensure the quality of the questionnaires they were translated from Spanish into English by qualified native teacher expert in these languages.

A total of 1710 personal interviews were carried out in the airport of Barcelona with two traditional airline companies, Iberia and British Airways, and one low cost company, easyJet. These are the three brands that operate direct Barcelona-London flights.

The field work was carried out during the months of November and December 2007. The population was individuals over 18 years of age, who had travelled with the airline company at least three times during the previous year.

After studying the atypical cases we eliminated 10 interviews. The final sample consisted of 1700 cases. This gives a sample error of 2.4%, for a confidence level of 95.5% and a $p=q=0.5$.

In the analysis of the data, first a study of the dimensionality, reliability and validity of the

perceived value scale was carried out using Confirmatory Factor Analysis by means of the Structural Equations Models Technique. This analysis also permitted us to refine the scale, eliminating non-significant items. Next a descriptive analysis was carried out applying the ANOVA technique which permits identification of significant differences between the means of several independent samples.

Results

Analysis of the dimensionality, reliability and validity of the measurement scales

The first part of the analysis will focus on the study of the psychometric properties of the scale of measurement of perceived value. From the

Table 1

Analysis of the dimensionality, reliability and validity of the scale of perceived value

(Fully standardized solution)

Items	Factor loading *
Airport installations	
They seem well organized	0.81 (23.11)
They are spacious, modern and clean	0.77 (fixed)
The inside layout makes check-in easier	0.75 (24.82)
Aircraft installations	
The aircraft seem modern and safe	0.81 (fixed)
The seats are comfortable	0.64 (16.22)
The space between seats is good	0.58 (13.49)
Professionalism of personnel	
The personnel know their job well	0.82 (fixed)
The personnel are up to date in knowledge	0.76 (26.40)
I value their advice	0.66 (18.98)
They are always ready to help	0.74 (21.17)
They are kind	0.77 (22.29)
They look smart	0.67 (19.73)
Company's service	

confirmatory factor analysis of the items of the scale, nine dimensions are obtained (Table 1). In the analysis we can observe that the probability associated with chi-squared exceeds the value of 0.05 (0.27), so there exists an overall fit of the model. The convergent validity is demonstrated by the factor loadings higher than 0.5 and because each item contributes to the formation only of the dimension corresponding to it. In respect of the composite reliability of the scales at individual level they are all satisfactory. Discriminant validity is evaluated by means of the average variance extracted (AVE) (Fornell and Larcker, 1981). We appreciate the existence of discriminant validity, as the square root of AVE is always greater than the correlation estimated between the factors (Table 2).

This company's planes arrive and leave punctually	0.78 (fixed)
This company's timetables are good for me	0.76 (18.83)
They attend to complaints efficiently	0.77 (18.05)
The baggage service is punctual	0.72 (18.60)

Monetary costs

The service is good for the price paid	0.69 (fixed)
The fare is very reasonable	0.76 (23.59)

Non-monetary costs – time and waiting

The time and effort of getting to the airport is not a problem	0.69 (fixed)
The queues to check in are reasonable	0.69 (11.67)

Non-monetary costs – distance

Flying to secondary airports is not a problem	0.85 (fixed)
It is no problem that the airport is far from the city of origin/destination	0.96 (13.66)

Emotional value

I feel happy with the service	0.93 (fixed)
I feel calm with this company	0.88 (38.02)
The personnel give me good vibes	0.87 (32.97)
I don't usually get angry with this company	0.72 (24.74)

Social value

This company has a very good image	0.93 (fixed)
It has a better image than its competitors	0.65 (18.67)
It is used by many people that I know	0.68 (18.43)
The people that I know think it's a good thing for me to fly with this company	0.81 (22.16)

Note: Fit of the model: Chi-squared=194.18, df=183, P=0.27169; RMSEA=0.008; GFI= 0.99; AGFI=0.97. Composite reliability: Airport installations: 0.82, Aircraft installations: 0.72, Professionalism of personnel: 0.88, Company's service: 0.84, Monetary costs: 0.85, Non-monetary costs time and waiting: 0.65, Non-monetary costs distance: 0.90, Emotional value: 0.91, Social value: 0.86, Overall C.R. of scale: 0.98

*In brackets the t statistic.

Table 2

Discriminant validity of the scales associated with perceived value

	1	2	3	4	5	6	7	8	9
1. Airport installations	0.77								
2. Aircraft installations	0.74	0.78							
3. Professionalism of personnel			0.73	0.68	0.83				
4. Company service	0.63	0.67	0.63	0.75					
5. Monetary costs	0.56	0.59	0.61	0.61	0.86				
6. Non-monetary costs time and waiting	0.54	0.52	0.42	0.48	0.44	0.60			
7. Non-monetary costs distance			0.23	0.20	0.21	0.25	0.23	0.59	0.90
8. Emotional value	0.70	0.70	0.77	0.67	0.69	0.53	0.29	0.85	
9. Social value	0.63	0.68	0.67	0.57	0.51	0.41	0.19	0.77	0.78

Below the diagonal: correlation estimated between the factors.

Diagonal: square root of AVE.

Descriptive analysis of the variables being studied

studies the means, and the existence of significant differences of means between the three samples (Iberia, British Airways and easyJet) is analyzed by the ANOVA technique.

The descriptive analysis will be done variable by variable, taking the scale of measurement resulting from the analysis of dimensionality, reliability and validity carried out. This analysis

In table 3, significant differences can be appreciated in two of the three items that configure the measurement scale for airport installations.

Table 3

Means and significant differences for Airport installations

		N	Mean	ANOVA	
				Sig	
They seem well organized	Iberia	566	3,70*		Differences between British Airways and Iberia
	British Airways	577	3,85*		Differences between British Airways and easyJet

	easyJet	557	3,65*	0,001	
	Total	1700	3,73		
They are spacious, modern and clean	Iberia	566	3,76	0,001	Differences between British Airways and easyJet
	British Airways	577	3,88*		
	easyJet	557	3,65*		
	Total	1700	3,76		
The inside layout makes check-in easier	Iberia	566	3,66	0,057	
	British Airways	577	3,76		
	easyJet	557	3,63		
	Total	1700	3,68		

* Significant differences for $p < 0.05$

We observe in table 4, that for all three companies the mean valuations in the first item are clearly higher than for the other two items, even exceeding four in the case of British Airways. Significant differences can be observed in the three items. As to the professionalism of the personnel, first it is notable that in most items

the mean values are high, exceeding four points in some cases. British Airways obtains higher mean values than its competitors in all items. Second, as shown in table 5, there are significant differences in all the items that form the measurement scale for professionalism of the personnel.

Table 4

Means and significant differences for Aircraft installations

		N	Mean	ANOVA	
				Sig	
The aircraft seem modern and safe	Iberia	566	3,95*		Differences between British Airways and Iberia
	British Airways	577	4,10*		Differences between British Airways and

					easyJet
	easyJet	557	3,81*		Differences between Iberia and easyJet
	Total	1700	3,96	0,001	
The seats are comfortable	Iberia	566	3,60*		Differences between British Airways and Iberia
	British Airways	577	3,80*		Differences between British Airways and easyJet
	easyJet	557	3,39*		Differences between Iberia and easyJet
	Total	1700	3,60	0,001	
The space between seats is good	Iberia	566	3,19*		Differences between British Airways and Iberia
	British Airways	577	3,50*		Differences between British Airways and easyJet
	easyJet	557	2,98*		Differences between Iberia and easyJet
	Total	1700	3,22	0,001	

* Significant differences for $p < 0.05$

Table 5

Means and significant differences regarding professionalism of the personnel

		N	Mean	ANOVA	
				Sig	
The personnel know their job well	Iberia	566	3,92*	0,002	Differences between British Airways and Iberia Differences between British Airways and easyJet
	British Airways	577	4,05*		
	easyJet	557	3,90*		
	Total	1700	3,96		
The personnel are up to date in knowledge	Iberia	566	3,90	0,008	Differences between British Airways and easyJet
	British Airways	577	3,95*		
	easyJet	557	3,81*		
	Total	1700	3,89		
I value their advice	Iberia	566	3,71	0,003	Differences between British Airways and easyJet
	British Airways	577	3,77*		
	easyJet	557	3,58*		
	Total	1700	3,69		
They are always ready to help	Iberia	566	3,69*		Differences between British Airways and Iberia Differences between British Airways and
	British Airways	577	3,83*		

					easyJet
	easyJet	557	3,66*		
	Total	1700	3,72	0,004	
They are kind	Iberia	566	3,83*	0,001	Differences between British Airways and Iberia
	British Airways	577	4,06*		Differences between British Airways and easyJet
	easyJet	557	3,80*		
	Total	1700	3,90		
They look smart	Iberia	566	4,08*	0,001	Differences between British Airways and easyJet
	British Airways	577	4,14*		Differences between Iberia and easyJet
	easyJet	557	3,93*		
	Total	1700	4,05		

* Significant differences for p < 0.05

In quality of service, table 6 shows that in all items, British Airways obtains a significantly higher mean than Iberia and easyJet, except for the item “the baggage service is punctual” where there are no significant differences between

British Airways and easyJet. In the items “this company’s planes arrive and leave punctually” and “the baggage service is punctual”, easyJet’s means are significantly higher than Iberia’s.

Table 6

Means and significant differences in Company’s service

		N	Mean	ANOVA	
				Sig	
This company’s planes arrive and leave	Iberia	566	3,23*		Differences between British Airways and

punctually				0,001	Iberia
	British Airways	577	3,58*		Differences between British Airways and easyJet
	easyJet	557	3,42*		Differences between easyJet and Iberia
	Total	1700	3,41		
This company's timetables are good for me	Iberia	566	3,67*	0,001	Differences between British Airways and Iberia
	British Airways	577	3,83*		Differences between British Airways and easyJet
	easyJet	557	3,59*		
	Total	1700	3,70		
They attend to complaints efficiently	Iberia	566	3,17*	0,001	Differences between British Airways and Iberia
	British Airways	577	3,50*		Differences between British Airways and easyJet
	easyJet	557	3,18*		
	Total	1700	3,29		
The baggage service is punctual	Iberia	566	3,19*	0,001	Differences between British Airways and Iberia
	British Airways	577	3,48*		Differences between easyJet and Iberia
	easyJet	557	3,36*		
	Total	1700	3,35		

* Significant differences for $p < 0.05$

With respect to monetary costs, we observe significant differences in the two items. Both in the item “the service is good for the price paid” and the item “the fare is very reasonable”, easyJet’s means are significantly higher than those of Iberia. Also, in the item “the fare is very

reasonable” easyJet’s mean is significantly higher than that of British Airways and in the item “the service is good for the price paid” the mean for British Airways is significantly higher than that for Iberia.

Table 7

Means and significant differences in monetary costs

		N	Mean	ANOVA Sig	
The service is good for the price paid	Iberia	566	3,73*	0,001	Differences between British Airways and Iberia Differences between easyJet and Iberia
	British Airways	577	3,88*		
	easyJet	557	3,92*		
	Total	1700	3,84		
The fare is very reasonable	Iberia	566	3,54*	0,001	Differences between easyJet and Iberia Differences between easyJet and British Airways
	British Airways	577	3,64*		
	easyJet	557	3,87*		
	Total	1700	3,68		

* Significant differences for $p < 0.05$

In the first group of non-monetary costs (table 8), significant differences can be observed in only one of the two items, specifically in the item “the time and effort of getting to the airport is not a problem” where the mean for British Airways users is significantly higher than the mean for Iberia users.

In the second group of non-monetary costs (table 9), significant differences can only be observed in the item “it is not a problem that the airport is far from the city of origin/destination”. In this case, Iberia’s mean is significantly lower than those of British Airways and easyJet.

Table 8

Means and significant differences for non-monetary costs – time and waiting

		N	Media	ANOVA	
				Sig	
The time and effort of getting to the airport is not a problem	Iberia	566	3,01*	0,005	Differences between British Airways and Iberia
	British Airways	577	3,24*		
	easyJet	557	3,16		
	Total	1700	3,14		
The queues to check in are reasonable	Iberia	566	3,05	0,126	
	British Airways	577	3,16		
	easyJet	557	3,17		
	Total	1700	3,13		

* Significant differences for $p < 0.05$

Table 9

Means and significant differences for non-monetary costs – distance

		N	Media	ANOVA	
				Sig	
Flying to secondary airports is not a problem	Iberia	566	2,81	0,055	
	British Airways	577	2,82		
	easyJet	557	2,97		
	Total	1700	2,86		

It is not a problem that the airport is far from the city of origin/destination	Iberia	566	2,61*	0,002	Differences between British Airways and Iberia
	British Airways	577	2,82*		
	easyJet	557	2,85*		Differences between easyJet and Iberia
	Total	1700	2,76		

* Significant differences for p < 0.05

In relation to emotional value, the first thing we observe is that the mean valuations are high, nearly all exceeding 3.7 points out of a maximum of five. As can be seen in table 10, significant differences can be observed in all the items forming the emotional value scale.

Table 10

Means and significant differences for emotional value

		N	Mean	ANOVA	
				Sig	
I feel happy with the service	Iberia	566	3,77*	0,001	Differences between British Airways and Iberia
	British Airways	577	3,95*		
	easyJet	557	3,82*		Differences between British Airways and easyJet
	Total	1700	3,85		
I feel calm with this company	Iberia	566	3,83*		Differences between British Airways and Iberia
	British Airways	577	4,00*		Differences between British Airways and

					easyJet
	easyJet	557	3,84*		
	Total	1700	3,89	0,001	
The personnel give me good vibes	Iberia	566	3,72*	0,001	Differences between British Airways and Iberia Differences between British Airways and easyJet
	British Airways	577	3,91*		
	easyJet	557	3,76*		
	Total	1700	3,80		
I don't usually get angry with this company	Iberia	566	3,61*	0,001	Differences between British Airways and Iberia
	British Airways	577	3,87*		
	easyJet	557	3,74		
	Total	1700	3,74		

* Significant differences for p < 0.05

Finally, we see that in social value there are significant differences in all items, British Airways scoring significantly higher than easyJet. Also in the items “this company has a very good image”, “it has a better image than its competitors” and “the people that I know think it’s a good thing for

me to fly with this company” the means of British Airways are significantly higher than those of Iberia. Also, in the item “it has a better image than its competitors” differences can be observed between Iberia and easyJet; Iberia’s mean in this item is significantly higher than easyJet’s.

Table 11

Means and significant differences for social value

		N	Mean	ANOVA	
				Sig	
This company has a very good image	Iberia	566	3,87*		Differences between British Airways and

					Iberia
	British Airways	577	4,11*		Differences between British Airways and easyJet
	easyJet	557	3,76*		
	Total	1700	3,91	0,001	
It has a better image than its competitors	Iberia	566	3,58*		Differences between British Airways and Iberia
	British Airways	577	3,79*		Differences between British Airways and easyJet
	easyJet	557	3,25*		Differences between Iberia and easyJet
	Total	1700	3,54	0,001	
It is used by many people that I know	Iberia	566	3,80		Differences between British Airways and easyJet
	British Airways	577	3,85*		
	easyJet	557	3,67*		
	Total	1700	3,78	0,003	
The people that I know think it's a good thing for me to fly with this company	Iberia	566	3,76*		Differences between British Airways and Iberia
	British Airways	577	3,98*		Differences between British Airways and easyJet
	easyJet	557	3,75*		
	Total	1700	3,83	0,001	

* Significant differences for $p < 0.05$

Conclusions

This study has determined, on the one hand, the dimensions that shape the perceived value of airline passengers and, on the other hand, has analysed the differences in post-consumption value perceived by the users of three airline companies representing different business models. British Airways and Iberia, recently merged but maintaining their brand-names, symbolise the classical business model of the traditional flag airline companies, while easyJet is a typical company of the low-cost business model.

The results of the study reveal fairly high valuations in practically all the variables studied. In general British Airways obtains a better score in nearly all the variables than the other two companies studied. In airport installations, in aircraft installations, in the professionalism of the personnel and in service quality, the users of British Airways award it higher valuations than the users of the other companies. In respect of monetary costs, if we compare the two flag brands, British Airways continues to obtain valuations significantly higher than those of Iberia. In non-monetary costs, flying to secondary airports far from the centre is indeed a problem for airline users, though easyJet users accept this cost because of the low price business model represented by this company. The same occurs with check-in queues. EasyJet obtains the lowest score with regard to airport installations, aircraft installations and professionalism of the personnel. For emotional value and social value, British Airways obtains in both cases significantly higher scores than Iberia and easyJet, Iberia having the lowest scores in emotional value and easyJet in social value.

In general, the three brands offer an image with very particular associations, both functional and affective in nature. The professionalism of the personnel and service quality are the key aspects generating value for the airline user. On the one hand, therefore, attention must be paid to the breadth of timetables, punctuality in both takeoff and baggage service, and efficiency and effectiveness in the handling of complaints. On

the other hand, we recommend active policies of continuous training and motivation of the personnel. Investment in these aspects may result in the generation of greater emotional and social value. The results of the study thus lead us to recommend the three airline companies in general to enhance, through their policy of communication, both the most significant value-generating functional aspects and the emotional aspects of the brand, each one focussed on its target public. In regard to emotional aspects, the airlines must transmit positive sentiments, above all by showing their willingness to help customers to feel calm, clearing up any doubts and solving any problems that might arise in the process of delivering the service. We also suggest designing policies to favour the social recognition of the brand.

British Airways and Iberia must go deeper into their traditional markets and, at the same time, continue to incorporate into their strategies the success factors of the low-cost companies. In an increasingly price-sensitive environment, it becomes essential to communicate clearly to the market the factors that differentiate them from the low-cost companies. The study finds that easyJet obtains mean scores significantly lower than British Airways and Iberia with regard to spaciousness, comfort, modernity and security of the aircraft, which could be used by these companies as differentiating arguments. Significant differences can also be observed with regard to professionalism of the personnel, particularly compared to British Airways.

For its part, easyJet must continue to communicate to the market the success factors of the low-cost companies and specifically that a lower price does not necessarily imply worse services. In fact it obtains mean scores significantly higher than Iberia for quality of service, specifically in punctuality both of takeoff and of baggage service. Consumers are increasingly sensitive to price, so in future the airlines must clearly inform of their positioning and with it the content of the quality that they offer.

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EDUCATIONAL TOURISM DEVELOPMENT IN ALEXANDRIA AS A TOURISM DESTINATION

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Abstract

Educational tourism can be divided into three main parts: General interest in education during tourism trips, educational tourism for elderly tourists, and educational tourism for students. Although Alexandria possesses various educational tourism attractions, it didn't emerge as an independent tourism pattern in the city tourism map. Therefore this study aims at: 1) Providing a development, marketing perspective for educational tourism to versify types of tourism in Alexandria, 2) Analyzing the governmental role in managing this type of tourism to help them to set policies and strategies to develop educational tourism in Alexandria, 3) Analyzing the actual status of travel agencies in Alexandria to assess their role to develop this type.

To achieve these objectives, questionnaires were distributed first to a sample of travel agencies to analyze the present status with regard to educational tourism among their activities. The second part depends on interviews with some managers in different educational tourism attractions to assess their views about educational tourism. The study concludes that Alexandria University makes efforts to make agreements with other countries to increase number of foreign students but it doesn't provide suitable accommodation for these students. Furthermore, there are deficiencies in developing

and marketing educational tourism for both the government and the private sectors.

Keywords: education tourism, interpretation, marketing.

Introduction

Alexandria possesses a vast range of historical and educational attractions. Therefore, Educational tourism can be one of the major types of tourism added to the tourist map of the city. However, neither the government nor the private sector realized yet the importance of educational tourism. In this sense, the study was conducted to help in developing and marketing educational tourism through realizing these objectives:

- 1- Analyzing the government role in managing and planning educational tourism in Alexandria.
- 2- Analyzing the current status of tourism companies in Alexandria to identify the situation of this pattern in their activities.
- 3- Providing a future vision for developing and marketing educational tourism.

This study consists of five sections, section one includes: Introduction to educational tourism. While educational tourism in Alexandria is

discussed in section two. Section three provides development and marketing of educational tourism in Alexandria, section four illustrates the field study. Finally results and recommendations are addressed in section five.

1- Introduction to educational tourism

Based on various definitions of educational tourism, Weller & Hall (1992), Bodger et al (1998), Arsaunault (2001), Canadian Tourism Commission (2001), and Ritchie et al (2003), educational tourism can be defined as: "the movement of individuals or groups to another country for learning purpose as a minor or major purpose, where education process happens in either human-made attractions, universities and learning languages' centers, or in heritage, natural places, such as natural reserves".

Therefore, educational tourism can be divided into: general interest in education during travelling, educational tourism for the elderly and for students (Sigala & Leslie 1995, Weller & Hall 1992, Arsaunault 2001, Ritchie et al 2003, Bodger et al 2009). The objectives of this pattern can be summarized in: sustainable tourism and urban development, improvement in relations between visitors and environment, and finally, educating tourists (Moscardo 1996, & Ritchie et al 2003).

General interest in education during travelling: Where education is a secondary motive and the main motive is tourism. Illustration programmes represent an integral part for this pattern.

1-2- educational tourism for the elderly. Such tours are often organized by non-tourist organizations- such as Elderhostel, Elderfolk, Interhostel- in order to combine entertainment and education to study a particular subject related to the nature of the visited place (Bodger 1998, Gibson 1998, Paterson 2006 & Bodger et al 2009). Recently, some tourist companies joined this field such as Sega Holidays, and Road Scholar companies (Ritchie et al 2003 & Heilman and Ratner 2003). The factors affected the growth of this pattern are: the increase in age, improvement in health of older people, early retirement patterns, increased leisure time, in

addition to lifelong learning trend (Bodger et al 2009, & Paterson 2006).

1-3- Educational Tourism for Students. It can be defined as the travel of individuals from one country to another to learn in universities, language centers or schools as well as carrying out tourism activities in their holidays (Ritchie et al 2003).

Languages' tourism includes traveling to study languages in another country, as well as interacting with local people. Recently languages' tourism became more important to the countries in which popular languages such as English and Spanish being the main language. The British Council (2002) reported that the demand for student educational tourism in English spoken destinations will increase from million in 2003 to 2.6 million by 2020 (Richards 2005).

2- Educational tourism in Alexandria

2-1- Educational tourism elements in Alexandria. Educational tourism elements in Alexandria are divided into:

2-1-A - Monuments and tourist attractions such as: Pompey's Pillar, Roman theatre, Roman baths, Ras-el-soda Temple, Roman temple remains, Kom-el-Shoqafa Catacombs, Pardis monuments, Asakl yields region, Qaitbey Citadel, Muhammad Aly' family castle, Maria city, the beach tomb, Mostafa Kamel Graveyard, Anfoushi tombs, archaeological Shatby, and Road Tigran tombs.

In addition to Islamic monuments such as Mursi Abul-Abbas, Busayri, Sidi-Yakout, Attarine, Shorbajy, Abdul-Baqi Aljorbejee, Ibrahim Terpanah, Aly-bek Guenena Mosques Muhammad Ali Observatory, Elbab Elakhdar, Bin Battuta, and Dar Ismail tank, Mandara and Elmontazah wind mill, Cossa Pasha bishop, Kom-Naaddoura, East Tower, Aly Bek Elmasry bath, coastal towers, Elhakania, Dekheila Dry Dock, Abdul-Latif bin-Rashid al-Tikriti school, Cavarelli bishop remains, Alnhacen and red

bishop (General Information Organization 1992, Alexandria capital 2008).

2-1-B - Alexandria Museums Alexandria possesses various museums such as: Alexandria National Museum, the Greco-Roman Museum, Museum of Fine Arts, Mahmoud Said Museum, Aquatic Museum, the Museum of Natural History, the Institute of Museum and aquaculture (General Information Organization 1992 & Goneima et al 2002)

2-1-C – Underwater monuments. There are currently records of 1035 ancient sites in the Mediterranean (Goneima et al 2002).

2-1-D - Cultural organizations. Alexandria University, one of the largest universities in

Egypt, the third university established in Egypt after Cairo University and American University in Cairo, in addition to Beirut Arab University and the Arab Academy for Science, Technology and Maritime Transport, as well as Senghor University.

Alexandria library is considered a cultural center, in addition of being one of the latest and most prominent cultural monuments in Egypt. The library has different educational centers such as: Alexandria and the Mediterranean civilization studies' center and calligraphy center.

2-1-E- Hotels

There exist 47 hotels in Alexandria with different classes. The following table shows the number of hotels in Alexandria by categories.

Table (1): The number of hotels by categories in Alexandria in 2009

Category	5 stars	4 stars	3 stars	2 stars	1 star	Total
Numbers	8	7	12	16	4	47

Source: hotels' management control, Alexandria public administration office, Ministry of Tourism 2009

2-2- Characteristics of educational tourism in Alexandria

2-2-1- *Tourism demand analysis compared to archaeological and cultural sites*

The following table illustrates the number of visits to different archaeological sites.

Table (2): Number of visitors to different archeological sites in Alexandria

Archeological site	Number of visitors in 2008	Number of visitors in 2009
Roman theater	155,288	197,858
National Museum	140,272	110,048
Birds Villa	4,972	14,914
Elshatby tombs	564	900
Mustafa Kamel Graveyard	792	827

Underwater Monuments	205	195
Qaitbey Citadel	571,846	552,334
Anfoushi tombs	1,507	1,333
Pompey's Pillar	190,725	151,640
Kom-el-Shoqafa Catacombs	208,084	155,650
Total	1,274,261	1,185,699

Source: Information center 2009, Alexandria Governorate

Table two shows that the number of visits decreases from 1,185,699 in 2009 to 1,274,261 in 2008. Most visits are for: Qaitbey Citadel, Kom-el-Shoqafa Catacombs, Pompey's Pillar, Roman Theatre, and the National Museum. It did not include Islamic monuments.

2-2- 2- Tourism demand analysis to some universities in Alexandria

Statistics from Alexandria University – Incoming department, (2009/2010) show that:

- 1-The number of exporting countries for tourists students is 53 countries.
- 2- The number of faculties that enroll foreign students is 23 faculties.
- 3- The total number of foreign students is 1519 students.
- 4- The majority of students are from Malaysia (819), followed by Palestine (211) then Saudi Arabia (85).

It has been also found that the number of foreign students in Senghor University was only 219 students in 2009/2011. The majority of them belong to the African continent (University of Senghor 2009), which indicates that the neighborhood may play an important role in educational tourism.

2-2-3- Analysis of hotel demand in Alexandria. From the analysis of statistics obtained from information center 2009, we can note that the

total number of Arab and foreign tourists are about 806,174 which is considered a limited number compared to Alexandria touristic sites. Moreover, the total number of Arab tourists has decreased from (61,864) in 2007 to (58,721) in 2008, and to about (49,504) in 2009. The same happened in the numbers of foreign tourists as the total number in 2007 decreased from (123,131), to (116,085) in 2008, and it continued to decrease to become (113,187) in 2009.

3- Educational tourism development and marketing in Alexandria

Educational tourism development is based on: Services sites Development, as it is one of the pillars of educational tourism development; because the process of learning is directly linked to the presence in tourist attractions, which in turn is associated to the education trip' subject. This requires destinations' development, in addition to illustrations programs' planning (Elbatouty 2002, Elrouby 2002 & Douglas et al 2009).

Concerning educational tourism development in particular, it was also noted that more attention is needed to strengthen educational programs through taking into account tourists' needs, and multi languages explanations in various illustration means, as well as the use of technology in providing illustration tools.

It is also important to develop infrastructure, tourist transportation services, supportive activities, and accommodation. Where it has been observed from hotel distribution of

Alexandria districts obtained from Hotel supervision department (2009), that there is no 4 or 5 stars hotels in Elgomrok region, and there only one 3 stars hotel, which represent a shortage, particularly because Alexandria port and most of Islamic monuments are located in this region.

With respect of marketing this pattern, educational tourism includes different segments: High spending tourists who are interested in cultural and educational value more than price, and reasonable spending tourists such as students due to the long length stay; Therefore, it is important to provide different product' components with appropriate price.

Concerning the age, different segments were also found: the first starts from 17 years to 30 years, who travel particularly to study, the second from (35: 45) years, which are urban professionals aiming the study tours, then 50 years and older who participate in educational travel programs, and finally tours to cultural attractions, which includes all age groups.

4- Empirical study

4-1 Analysis of the personal interview with the Director of the Egyptian General Authority for Tourism Development.

The director noted that marketing educational tourism in Alexandria uses advertizing through leaflets, brochures and various advertizing films as well as familiarization visits. Public relations are applied through participation in conferences and tourism fairs abroad. Promotion is applied mainly through the Internet. However, the previous methods do not highlight the educational facilities in archaeological sites. Moreover, different promotion tools target tourism students in Egypt after tourist's arrival to the destination. They miss marketing in tourist exporting countries. In addition to, the authority has a website which is presented in only English and Arabic, although, effective marketing need advertising in several languages. Moreover, Islamic archaeological sites are not included though Alexandria was chosen as a capital of Islamic culture in 2008. Finally, the lack of

participation in exhibitions specialized in educational tourism for students abroad also represent an obstacle.

The most important forms of cooperation between the authority and many parties to promote educational tourism are: 1 - Participation in selecting Alexandria capital of Islamic culture in 2008, and the capital of the Arab tourism in 2010. 2 - Providing different educational institutions in Alexandria with advertising materials, leaflets, and touristic films. 3 - Promoting different universities to attract students by writing the addresses of educational institutions in their tourism leaflets.

4-2 Analysis of the personal interviews with responsible for cultural or archaeological sites

They ensure the importance of tour guides in order to achieve the desired educational interest, in addition to demonstrations' tools which are considered an important mean of education and an integral part of educational tourism planning of archaeological sites. It is mentioned also that the National Museum (which is the most developed of the archaeological and cultural sites) has been strengthened by various education tools, such as: the multimedia room, and signboards. Therefore, the Egyptian and the foreign media, as well as the Supreme Council of Antiquities are interested to market this museum particularly. On the other hand, they use assessment methods to assess tourists' satisfaction, to adjust management of the museum.

Considering the Pompey's Pillar, it contains some educational tools such as: signboards, efficient information cards on the artifacts. Although, it is devoid of a visitor center, exhibitions, and modern technological means, (noting that has been recently developed). Considering the Roman Theatre and Kom-el-Shoqafa Catacombs, they are still in the development stage.

Despite the trend towards supporting illustration programs, all archaeological sites has not adhered to the scientific method in planning illustrations programs as well as the study of the target market, as evidenced by limited

signboards, as well as limited language used in museum's holdings explanation in the multimedia room. On the other hand, trained staff is available at these sites to provide educational experiences in foreign languages.

The analysis also shows different level of evaluation of programs efficiency at all archaeological or cultural sites. It has been also observed that tourists' education in all archaeological or cultural sites, which evaluated illustrations programs to be moderately well. This is mostly due to the non-use of modern technological tools and scientific method in planning illustration programs. Although the efficiency of the assessment of other elements such as improving the tourist experience, add value to the tourism product, as well as reducing the negative effects of tourists at the National Museum, the Pompey's Pillar and Kom el Shoqafa Catacombs has been observed to be satisfactory.

It has been also noted that reducing the pressure on congested areas are very efficient, where management guides are obliged to divide group into smaller groups, and distribute them in the different regions of the archeological site, as well as to control the duration of the presence of tourists in the tomb by: explain before entering it, and direct them to the gardens of the museum until the completion of the crowd in the main points of the visit. While all these sites lack the use of assessments methods to assess the tourists' satisfaction and modify illustration programs plans in archaeological sites, except the National Museum. But there is a committee mandated by the Supreme Council of Antiquities which is responsible to assess the tourist's opinions but at distant intervals.

Different aspects of cooperation between all departments in the archaeological sites, the tourism official organization, and tourist companies are represented by visits and the experience benefit of archaeologists' staff, in addition to participating in conferences by hosting its discussions, and its festivities in the show halls.

It has been also noted that flyers, brochures, issued by the regional organization for tourism promotion are sold to the tourists in the

archaeological sites, which helps to support the education component.

The analysis also shows that the educational tourism development is not limited only by supporting the learning component within the archaeological or cultural sites, but it is extended to the development of infrastructure outside the archaeological area, such as:

The development of the entrances, road construction, as well as proper planning of houses overlooking the archaeological sites. This has been achieved by the regional organization tourism promotion.

4-3 Analysis of the personal interview with the responsible of incoming students in Alexandria University

It has been shown that the enrollment of international students in the university is either through an organized transition according to the agreements that have been held between the university and other countries such as Malaysia and South Sudan, or by unregulated transition (without any prior agreement), such as Arab and foreign countries. In addition to the cooperation between the university with the embassies of the students' countries by sending brochures explaining the scientific activities, studying systems, different sections and colleges, but these brochures are not send to the tourist authorities in these countries. On the other hand, the university is not interested to provide suitable accommodation for students, or even provide information about suitable accommodation, which represent a deficiency in student tourism development.

It has also been noted the lack of a Web-site intended for international students, in terms of displaying education element, tourism attractions which also represent an obstacle to attract more foreign students. Therefore, there is a great importance to establish a database particularly directed to foreign students, in terms of college enrollment data, that is connected to the internet for the development of this pattern.

4-4 Survey analysis. Questionnaires had been distributed to a sample of tour operators category (a) in Alexandria; to analyze the current situation of this pattern within their activities. The total number of tourist companies category (a) is 210, about 66 companies of them are major centers, 85 branches and 59 branches under construction (Ministry of Tourism 2009). A simple random sample of 38 companies has been selected which represent 18% of the total number of companies. First, a pilot study has been conducted to only two companies to assess the questionnaire. Then the questionnaire was then adjusted and distributed to the sample. The results show that only about a third of the

companies organize these trips on a regular basis for educational tourism with cultural significance, and the rest organize this pattern infrequently or rarely. Concerning educational tourism for students, only 7.8% of companies organize trips on a regular basis which indicates a deficiency in organizing this pattern. It has also been reported that the most important reasons for not including educational tourism programs within tourism companies' activities from their point of view are: Insignificant international demand for this pattern, lack of sufficient marketing campaigns directed to foreign markets, as well as lack of coordination between governmental agencies concerned, and tourism companies. The following table illustrates the main export markets for educational tourism.

Table (3): The most important export markets for educational tourism

Responses	Educational tourism with cultural significance		Educational tourism for students	
	Frequency	Percentage	Frequency	Percentage
Eastern Europe	7	18.4%	3	7.8%
Western Europe	18	47.3%	3	7.8%
Southern Europe	16	42.1%	2	5.2%
Middle Europe	8	21%	2	5.2%
North America	14	36.8%	2	5.2%
North-East Asia	11	28.9%	3	7.8%
South East Asia	4	10.5%	4	10.5%
Australia	3	7.8%	-	-
Arab Gulf States	4	10.5%	10	26.3%
Countries of the Near East	-	-	4	10.5%
South Asia	3	7.8%	-	-
Did not indicate	10	26.3%	18	47.3%

It is obvious from the previous table that for educational tourism with cultural significance: The Western Europe countries ranked first

(47.3%), followed by the southern European countries (42.1%) and north America occupied the third place with 36.8%.

Considering educational tourism for students, the most important countries are: Arabian Gulf countries, followed by Southeast Asia, and finally the countries of the Near East.

Results also shows that 39.4% of companies believed that educational tourists with cultural significance spending' is moderate. This was interpreted that a large proportion of these tourists are middle-income tourists. While, 34.2% of the respondents assess the spending to be high, this may be due to a large proportion of them are elderly people. Considering the foreign students, the study showed that tourists students spending is moderate, which imply that the tourism companies should provide services and tourism programs with appropriate prices. The results also showed 18.4% of the sample noted the high expenditure of these tourists, which has been interpreted by the high income in some exporting markets for tourism students (specifically Arab Gulf countries). While 10.5% of tourism companies noted their low spending which have been explained that many students live a long time so they rent apartments, and use public transportation. The results are consistent with the theoretical framework of the relatively low, but long-term spending.

By taking into account the way they organize these trips, it was reported that the majority of the tourism companies organize educational tourism trips with cultural significance as inclusive programs, while 31.5% of them organize these trips as specialized programs. It is expected to increase tourism demand for specialized programs after the completion of Islamic monuments' development as well as the development of illustration programmes in some

archaeological sites. Considering educational tourism for students, an equal proportion of companies (28.9%) mentioned that they organize these trips as specialized or inclusive programs.

As for the most important requirements needed to organize special programs for educational tourism, 73.6% of the sample agreed that the need of a specialized tour guide in tourism trips is the most important requirements, followed by providing illustration programs in archeological sites, appropriate establishments and convenient transportation means. Cooperation in marketing strategies between government and private sector was then reported. While strengthen relationships with companies specialized in educational tourism is finally mentioned.

Considering educational tourism for students, the demand to strengthen relationships with companies specialized in educational tourism in foreign markets came in the first place (52.6%). While equal proportions (42.1%) of companies indicated the need of suitable establishments and marketing cooperation between ministry of high education and all parties concerned with this pattern.

On the other hand, results also noted that there 71% of tourism companies market educational tourism with cultural significance, while for educational tourism for student, the majority of companies (65.7%) do not make any efforts to market this pattern. They further mentioned the promotion means used to market this pattern, these promotion means will be described in the following table:

Table (4): Promotion means for educational tourism

Responses	Educational tourism with cultural significance		Educational tourism for students	
	Frequency	Percentage	Frequency	Percentage
Advertising	16	42.1%	9	23.6%
Declaration	12	31.5%	7	18.4%
PR	19	50 %	8	21%
Internet	18	47.3%	10	26.3%
Participation in exhibitions	17	44.7%	8	21%
Participation in conferences	11	28.9%	6	15.7%
Tourism agents abroad	19	50%	5	13.1%
Other means	1	2.6%	1	2.6%
Didn't indicate	11	28.9%	26	68.4%

There are various means for promoting educational tourism with cultural significance. 50% of the sample depends on the tourist agents abroad and public relations with same proportion, followed by "the Internet" (47.3%). Only one company has mentioned other means, such as: marketing in hotels through personal selling.

Considering educational tourism for students, the Internet comes in the first place (26.3%), followed by advertising (23.6%). Public relations and participating in exhibitions represent the third position with 21% each. Only one company has indicated: presenting offers at affordable prices in the universities.

The impediments of the educational tourism development are stated below according to their importance:

Lack of coordination in marketing efforts between tourism official organization and tourism companies (26.3%) was first stated, followed by the absence of diversity in cultural tourist

attractions, the closure of most of the Alexandria museums in addition to the scarcity and lack of recreational activities (13.1%). Ineffective marketing efforts for tourism in Alexandria (10.5), as well as awareness' decrease among some citizens in Alexandria about the importance of tourism (10.5%) were then mentioned. Finally inadequate accommodation with appropriate prices for foreign students (7.8) was reported.

5- Conclusions and recommendations

5-1 Conclusions

- Alexandria possesses many of the tourism and educational attractions for educational tourism development, where learning could be done at archaeological or cultural sites, or universities and language centers.

- It was reached through the field study that the main exporting markets for educational tourism with cultural significance are Western Europe, followed by southern Europe then North America, but the most important exporting markets for educational tourism for students are Arabian Gulf countries, followed by Southeast Asia, then the Near East countries.
- The National Museum in Alexandria possesses relatively satisfactory illustration programs which qualifies it to be the most important cultural sites listed in the educational tourism programs in tourism companies.

- There are deficiencies in managing archaeological sites, where they do not use assessment methods to measure tourist satisfaction. Furthermore, they did not follow any statistical system for determining accurate numbers of visitors, where the only record for the number of visitors is by the visit fees. Moreover, visitors are divided into Egyptians and foreigners, without any other divisions. (this was evident from field observations).
- Alexandria University is interested in making agreements with other countries to increase the number of foreign students in Alexandria, while the incoming department is not concerned to provide appropriate and approved accommodation for these students.
- Educational tourism aims to develop sustainable tourism through guiding tourists to show continued positive behavior towards the visited region; in order to protect the site.

- From the impediments of the development of educational tourism in Alexandria, the lack of diversity in cultural tourist attractions, in addition to the closure of most museums such as: Jewelry Museum, and the Greco-Roman Museum.

- Most of the tourist companies as well as the Egyptian General Authority do not make any marketing efforts to promote educational tourism for students.

- The most important reasons for the lack of marketing efforts of this pattern are:
 - Lack of coordination in marketing efforts between the government and the private sector.
 - Lack of awareness and culture of marketing people about the importance of educational tourism.

- Weakness in the governmental efforts in accounting of various components of educational tourism pattern.

- Lack of educational institutions that receive students and newcomers.

5-2 Recommendations

- Completing restoration and maintenance of archeological sites and museums.

- Providing self guidance means particularly by audio and visual means as well as providing brochures to be distributed to tourists at entry zones, before the visit of archaeological sites or museums.

- Establishing electronic sites for each archaeological site, or museum, including detailed explanation in several languages.

- Establishing statistical system to determine accurate numbers of visitors at archaeological and cultural sites, which helps planning and scientific research.

- Providing appropriate accommodations for students through making agreements with various subsistence means' representatives.

- Cooperation with the various tourism organizations to promote scientific activities, distinct sections, and study systems.

- Partnership between the tourism official organization and the tourism private sector, in marketing efforts marketing campaigns preparation, and in costs' bearing should be considered.

- Inserting educational tourism pattern on Alexandria tourist map as an independent pattern.

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FINANCIAL POLICY – COMPONENT PART OF THE STATE’S ECONOMIC POLICY

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ABSTRACT

The financial policy is a component of the general policy, in which is integrated, even it has a relative independence, regardless the organization level or functional structure of the society, to which it is addressed. Therefore, it is imposed to characterize the financial policy in the context of the general policy, which, in turn, viewed at human organized collectivity level in the village, can be generically defined as a set of activities oriented towards acquiring and maintaining the power in society by political formations, subordinating themselves to the

achievement of some purposes or objectives of those. The policy is also defined, in a more pragmatically way, as a form of organization and management of a human community, to satisfy its interests, or as a set of decisions (choices) taken by the authorities to organize and conduct the economic and social activity. In this sense, she manifests at all organizational levels and structures of the society.

Key words: financial policy, economic policy, organizational structures

Introduction

Regardless by the approach of the policy concept, its concretization implies objectives and means of tools for their achievement, in accordance with the respective groups or human community interests. It involves, directly, methods and means of action specific to different domains of human activity, to achieve various economic and social objectives.

Considered separately, the financial policy expresses the choices concerning the methods, means and institutions with financial character, trained in the procurement, allocation and utilization of the financial resources, including the way of using the instruments and of the financial techniques to influence the economic and social activities in the desired direction. Its field of manifestation is the financial activity, generally, but through content, it is reflecting on the entire activity of the entities from which it emanates, taking the form of financial decisions.

In a narrow sense, the concept of financial policy is used for the purpose of public finance policy, to describe the phenomena that give birth to some public task, based on the financial sector. In this sense, the existence of the financial burden involves the implementation of some political and legal techniques of some mechanism of action specific to public finances.

By its content, the financial policy is inextricably linked to other components of the economic policy. Thus, if the economic policy of the state aims, as objectives, the development, upgrading the technology and modernization of national economic sectors, the economic recovery, wider participation of the country at the international changes, and based on this the sustainable economic growth, more equitable income distribution, etc, financial policy must fall along the same lines.

Research methodology

Typically, the objectives of financial policy are made in direct connection with the declared purpose of the economic and social development of a country, respective with the objectives that it proposes each economic or social entity. Thus, ensuring the economic growth and combating the economic stagnation or recession, declared as objectives of the general policies, must have a correspondent in a financial policy of investments and consumption stimulation. Similarly, the inclusion in the government program (of a group or another) of increasing the capacity of national defense must find a correspondent in the decisions concerning the financing of this goal.

The economic research methodology (as moreover of and another sciences) is composed of three levels of methods: methods of maximum generality, specific to all sciences, own methods of a group of science; specific methods for each science.

The size of vital function of the scientific research methodology, can be better understood if we look within a science (of which is included) and which it totally serves in the totality of its sides.

Results

In the presentation of the currents of economic thoughts, and their representative was desired a brief highlighting only of the ideas concerning the way in which they see the accumulation modalities of resources at state level. Thus is remarked the concern for fiscality and the imposing modality of the economists, regardless of the current economic thinking. To which they belonged or belong.

Thus, the fiscal system, its optimization cannot operate only in close connection with the modifications which the state is going through. The state "architect of the nation" suffered extensive changes, over time, but especially in the economic and social domain, throughout the world. The necessity of the state's existence, importance and functions, but especially the role that it fulfills has raised various debates and different theories.

Theoretical and methodological aspects will be marked by the methodological principles and

practices that we will present further, falls in what has been designated through "standard economic science", respective through which is found in the attention of all the great specialists and of the political factors from everywhere.

The intervention of the state in a greater extent in the last two centuries, both in economy and in society has determined the increase of the tax burden. This statement is supported by the similar evolution of the financial resources, of the tax burden and of the public expenditure, namely by the increase in the last period of time.

In a study made by the Price Waterhouse Coopers, Romania ranks first in the European Union regarding the number of taxes paid by the companies. The study showed that a company from Romania must pay 96 taxes per year, which is two times more than other UE countries. In world our country occupies the fourth place, being advanced by Belarus with 124 taxes, Uzbekistan with 118 taxes and Ukraine with 99 taxes. The states of the European Union perceive, in general, a number of taxes smaller than 30. The countries with high taxes are Slovakia with 30, Lithuania, Hungary and France which exceed with about 20 taxes. The smallest number of taxes are paid in Sweden only 2 taxes, Latvia 7 and Portugal, Spain and UK each 8 taxes.

If at the number of taxes we are among the leaders, at fiscal attractiveness we occupy the second lowest place in Europe, Romania being advanced only by the Czech Republic. The ranking was made based on the attractiveness of the fiscal regime viewed through the prism of legislation complexity and frequent modification of these. At the opposite pole, the most attractive countries are: Cyprus, Ireland and Switzerland, because it presents consistency concerning the interpretation of the fiscal legislation and stability of the fiscal legislation and a reduced number of taxes. The attractiveness of the Romanian fiscal system on a scale from 0 to 100 % it was of 21, while the first place country Cyprus reached 90%.

According to some authors, such as the Frenchman Alain Barer, the objectives of financial policy (of the state) could be summarized as follows: to promote the economic

progress; to regulate the economic situation; to achieve the social justice in financial terms.

The instruments and techniques for achieving the objectives of financial policy is, at their turn, its components, through which is outlined the concrete way of achieving the cash flow, in correspondence with the purposes of which are subordinated the financial activities. In the same sense, at the level of the enterprises, the financial policy is integrated to programs aiming the operation and their development, including the adaption of their activity at the requests of the internal and external markets.

However, starting from the broad acceptance given to finances is outlined and a more comprehensive financial policy, including the monetary and financial policy in which are involved the public authorities – and financial policies of the economical and social private entities. In this sense, there can be distinguished several components of the financial and monetary policy, between which, the fiscal policy, budgetary policy and monetary and currency policy etc., promoted by the public authorities and financial policy of the enterprise, promoted by companies, organizations, autonomous institutions.

The fiscal policy cannot be conceived only as a mix between modalities of procurement of the resources available to the state concerning the destinations that are given to these resources, in accomplishing the functions and tasks which devolve up on it.

The fiscal policy is therefore, a component of the state financial policy, which includes both the ensemble of the regulations concerning the establishment and collection of all taxes and fees, materializing the state's options concerning the public expenditure that are financed. But, its components must be established together with those of budgetary and monetary policy, respective with the price policy and that of workforce occupation, etc. to integrate into the general policy.

At the same time, the fiscal policy has and specific purposes, including, according to Paul Samuelson's opinion, are also considered and those to contribute at the oscillations attenuation characteristic to the economic cycles or to favor

the maintenance of a progressive economy, which to ensure a high degree of the workforce occupation.

The modern view, it is considered that fiscal policy involves the conscious use of the revenues and expenditure of the state budget to influence the economic and social life. In particular, its content makes imperative the use of all the tools and procedures with fiscal character to establish the level and structure of compensatory levies, the operations, activities and taxable revenues; the regime of the exemptions and reductions of taxes or of subsidization, outlining how to achieve the redistribution of the created product between spheres of activity, economic sectors, administrative-territorial entities, individuals and legal persons.

The fiscal policy can leave its mark, influencing on the development of the economic and financial processes and implicitly on the evolution of the entire society. But, in turn, it is conditioned by the economic environment, by a series of factors, of which is remarked: the state of economy, reports between the public and private sector, the level of the citizens, etc.

In synthesis, the fiscal is represented by all the methods, means, forms, instruments and institutions used by the state to purchase the fiscal financial resources and their use to fund public actions, inclusive to influence the economical and social life. It approaches, naturally, both the issue of taxes (tax levies), and of public expenditures, which often play a decisive role in the financial policy of the state.

The budgetary policy is reflected through the decisions concerning the resources formation, distribution and usage of the budgetary fund under forms of budgetary revenues and expenditures, including the budget deficit funding, using as main instrument the public budget, both the GDP redistribution, and in the purpose of influencing the sustainable development of the society.

The monetary policy encompasses the decisions and actions aiming the supply of coin and progress of the monetary circulation in the national economy, ensuring the monetary equilibrium and maintaining the purchase power

of the coin, including the use of monetary instruments in order to achieve some objectives of the general policy.

The currency policy refers, in essence, how to purchase and use the currency resources and equilibrating the balance of external payments, creation of currency resources, evolution of the exchange rate and effectuation of transactions on the financial and currency markets.

The policy of the enterprise (company) is made, at its turn, as a component of the own economic policy and aims, in general, the purchase and use of the financial resources, according to the requirements imposed by the fulfillment of own objectives. It is designed and applied in accordance with the operational needs of any enterprise, but at the same time, it is in correspondence with the financial policy of the state, interfering with the decisions adopted by the state authorities, which have an impact in financial terms. From this perspective, the financial policy of the state, and firstly the fiscal policy, which directly aims, on the one hand the tax system practiced by the state, and on the other hand, the performed public expenditures, can influence, to a great extent, on the decisions taken by the enterprise in economic and financial plan. Normally, all the orienting measures of development and macroeconomic adjustment based on the monetary and financial instruments are reflected and in the financial policy of the enterprises.

Between the elements of financial policy, regardless of the level at which it is manifested and the components of economic base are established reports of interdependency, meaning that the financial policy appears, on the one hand, as an outcome of a given social-economic system, and on the other hand, it can cause changes in the structure of the system, respective in the economic base of the society.

The policy, in general, and implicitly the financial one may contain specific elements, both to actions with strategic and tactical character. The first are materialized through decisions of financial policy concerning the achievement of some objectives on longer term and more extensive, reflected in the plan of the financial activity. By comparison, the elements of financial

tactic aim directly, the aspects of used techniques to conduct current financial operations, and providing the appropriate organizational strategic objectives.

In principle, it is recognized that the decisions(options) which establish the coordinates of the financial policy for a certain stage of the society's evolution or of a economic and social entity reflected in the financial programs of longer term perspective constitute the financial strategy, while the administrative acts of cash operations planning and programming, on the short periods, as the measures and decisions taken to execute the specific objectives of a period or another, are components of financial tactics.

Structuring the financial policy, on strategic and tactical elements, is presented at different levels at which are taken the financial decisions, and their implications are found in the registered results by each operational component, with financial activity. An approach of the financial policy, in terms of issues at which is referred, highlights it's structuring on several large areas, of which there can be distinguished:

Mobility, respective the purchase of cash resources at the financial funds, that are either in the public or in the private sector;

the distribution or allocation by destinations and using the constituted cash funds;

indebtedness, respective the lending activity, including the regime of practicing loans and interests;

organization and functioning of financial markets;

organization and carrying out activities concerning the insurances, which at their turn, are differentiating in social insurance and insurance of goods, persons and civil liability;

organization and functioning of the banking and financial machine;

organization and exercise of financial control;

use of financial levers to influence the social and economic activities;

ensuring the premises necessary to maintain the financial and monetary equilibrium in economy

To these entire domains are corresponding decisional competences of financial policy, to ensure the performance of the economic processes and cash flows in accordance with the policy objectives of each social and economic entity, respective with those of the general policy of the state. Although with sensitive differences, the financial policy of any entity, including of the state, includes certain categories of options, distinguished through the content of the targeted processes, but which are intertwined and are mutually conditioning, such as those on the expenditures to be performed; usable resources (revenues), etc.

The public expenditures materialize one of the fundamental components of the fiscal policy, and at the same time, of the financial policy of the state, having a profound impact on the general policy. Because the fiscal policy appears in the first plan as expression of the need with a public character assumed to be satisfied by the public authorities, the major coordinates of the policy concerning the public expenditures aim, firstly, their structuring appropriate to the objectives of general policy promoted in a period or another.

In broad plan of the financial policy issue, in the sphere of the public expenditures, it is inevitable referring at establishing the objectives to be achieved in financial terms, in direct correlation with the decisions of economic and social order taken by the state. As a result, it involves option of the decision factors on the dimension and structure of the destinations give to the public financial resources, under the concrete forms of the expenditures for actions considered of public interest.

Developing the decision of tax policy on this segment must have in view and the impact of the public expenditures on the economic and social processes, including over those from the private sector. This appreciation has in view that the dimensions and structure of the public expenses conditions, in great extent, the proportions in which are made the economic and social processes, which imposes the concern for their optimization. To this end, is analyzed information concerning the dynamic in time and space of the

public expenditures, respective are made comparisons with situations registered in other states.

Therefore, within sizing the public expenditures, through the financial policy are established, depending by the objectives to achieve, the absolute sizes and shares on total and on expenditure categories in GDP and in the total of the budgetary expenditures. Of first meaning, appears, thus, the determination of the public expenditures size as proportion in GDP, because this is the basis source in their financing and are conditioning, decisively, the financial potential of the country. Or, maintaining the volume of public expenditures in acceptable limits to the size of obtainable GDP is the indispensable prerequisite, for these to be funded from the regular resources (normal) and to avoid appealing at extraordinary resources. In this context, is imposed and the rigorous monitoring of the budget deficit, which results as a consequence of the commitment of higher expenditures than the current revenues that can be purchased.

At its turn, the structuring on destination of the public expenditures is an essential condition to ensure their consistency with the economic and social objectives pursued in each phase, respective within a budget year. Some objectives to be fulfilled can be separated on many budgetary years, which require matching the sizes and structures of expenditures on longer periods.

A major coordinated of the financial policy, reflected by the size and structure of public expenditure, aims to ensure normal functioning of the public institutions. Under-sizing as over-sizing of the allocated amounts have a negative impact, not only on fulfilling the tasks of each institutions, but and on the society, as whole. In this context, a particular importance it has the achievement of an optimum report between the personal expenditures and material expenditures. Often, it is found that a negative phenomena which is manifested in many states the over-sizing of the operating expenditures and especially, of those of personnel which hold to much shares to the detriment of the capital expenditures, respective of the material ones.

In direct relation to the previous ones, another coordination of the financial policy, in this area, relates at ensuring a high efficient market of the public expenditures that are being performed. This involves the determination and assessment of the social and economic effectiveness degree of the financed actions, opting for the public expenditures which allow the maximization of the supply of public utilities in the conditions of its harmonization with the private offer.

However for this segment of the fiscal policy, is determined the choice of the technical methods and instruments used in the development of the allocation usage processes of the resources, in relation to the specific of the public activities. Here are subscribed the options on the management methods of the financial resources by the public entities. In this respect, it must be chosen between the integral funding (or partial) grant of the state's funds and auto financing from the obtainable revenues in the own activity of the public institutions or enterprises.

Basically, the full funding assumes covering all the expenditures of some entity from the state budget and it is considered to be non-stimulating, because it is not realizing the natural connection between the performed expenditures and results of the financed activity. It is, however applicable where through the nature of the respective entity's activity cannot be obtained revenues to cover the expenditures, like the case of the public institutions from the field of intangible activities. At its turn, integral self-financing is recommended to the situation of the enterprises with state capital from the sphere of material activities. It provides a direct link between the quality, quantity and content of the economic and financial activity performed by the respective entity and possibility to cover the expenditure to be performed. This variant interest in a greater measure the users of public resources in developing some qualitative superior activities to cover integral, from own revenues, the performed expenditures and to obtain, in plus a higher profit.

It is also possible the option to apply the partial self-financing, especially in the case of the public institutions that receive some revenues from their own activity, without the possibility to cover entirely the necessary expenditures of normal

operation. So, for example, there are used directly some performed revenues by some budgetary institutions, to make the own expenditures (outside the state budget), which creates better conditions for their co-interested in increasing the efficiency of the activities with public character that they achieve.

A major coordination of the fiscal policy concerning the public expenditures aim to influence the evolution of the economic and social life appropriate to the overall objectives of development, using adequate the techniques and modalities of financing. On a broader plan, these must stimulate the manifestation of the manifestation of the positive phenomena and to inhibit the negative ones through the allocation techniques and spending of the public money. In particular, the public expenditure, which is a component of the aggregate request, can be oriented by a favorable manner of the economic and social development, contributing to the achievement of some objectives of general policy, such as: economic recovery, reduction of unemployment, ensuring social protection, etc.

An essential coordinate of this policy is in judicious sizing of the public financial resources possible to procure. In this purpose, a first option is referring at establishing the volume of resources that can be mobilized from inside the country, starting from the GDP size, which is the main source in the formation of financial resources, both public and private. Their quantification must be taken into account, both the GDP's size predictable to be achieved in the financial year had in view, and by the possible proportions of its distribution and redistribution to build different financial, private and public funds, including the conditions specific to ensure the money resources necessary to achieve tangible and intangible activities of the public sector. Under this latter aspect, the possibilities of acquiring the financial resources and dimensions in the state economic sector depend, in principle, the quantity and quality of the own activity, of the respective enterprises. By contrast for the unproductive public institutions, ensuring these resources, usually assume the redistribution of GDP through the public budget and therefore, their purchase, first, at the public financial funds, especially under forms of compulsory levies.

The quasi-total dependence of the quantum of public financial resources usable by the size of GDP achieved, has an objective character and is imposed to be reflected the decisions of budgetary and fiscal policy. Over-sizing or under-sizing GDP and erroneous assessment of the usable financial resources in satisfying the public needs on his account it can train profound adverse effects, not only in the financial plan, but and in the general economic and social.

In terms of share (averages) percentage of GDO levies (at public budget), which influences, at its turn, the option on quantifying the financial resources used by the state, is found that the more reduced dimensions of the GDP, particularly in the developing countries, limits and the possible proportions of its redistribution, having in view that the same resource (insufficient) must ensure a minimum income necessary to the private consumption.

On the other hand, in assessing the optimal level of redistribution of GDP, in forms of the public financial resources, it can be started from the maximum satisfaction of the total need of utility by rational combination and optimization of the offers of private and public utilities, which meets the requirements of more efficient use of the resources, in general.

The public financial resources originated from the GDP distribution are the most important and commonly performed (usually), but sometimes, they do not fully cover the financing needs, which determine the call to other resources, called extraordinary, usable only in exceptional way.

Accordingly, another coordinate of the financial policy, in this field, is in the option to use extraordinary resources such as the public loans or inflation issuance of currency and setting their proportions. The recourse to these resources must take into account and the impact of using each, in financial monetary, economic and social plan, which makes necessary the assessment of the accompanying positive or negative effects, such as: increase of the public debt and expenditures related to it, the possibility of reviving the stagnant economy or in crisis, reduction of unemployment, inflation rising, etc.

Another coordinate of the policy concerning the public financial resources, in this domain, aims

the possibility of using some external resources, which usually, take forms of the loans obtained from foreign creditors. In principle, the usage of external resources must have an exceptional character, appealing to them only after the exhaustion of the purchasing possibilities from the inside, because these generate external public debt, which are burdening the financial and currency situation of the country. It will be ulterior paid all on the internal resources, amplifying the currency effort of the country and generating outflow of GDP, out, by paying the afferent interests. Another coordinate of the policy of the public financial resources refers to the choice of the forms, methods, instruments and techniques to conduct the levies at the public financial funds. Within this coordinate, are established the concrete forms under which there can be mobilized the public financial resources from different sources of origin.

Conclusions

So of, a particular interest, for this area of tax policy, is the choice of the system of income tax, following to be ensured the tax fairness, but at the same time, it must be avoided the social egalitarianism, which may result from a to high progression of the tax shares, which trains negative effects in the plan of the interest for work and of the level of labor productivity. In relation with these requests, the distribution of tax burdens must take into account the contributive power of the various categories of persons, expressed by the size of gross and net incomes which they may have, aiming to encourage the efforts to invest, produce and save as prerequisites of the social prosperity and social progress. A coordinate of the policy of public financial resources, with a profound impact is the use of fiscal instruments to influence the evolution of economic and social processes in relation with the economic situation and development objectives of the country. In this direction, were developed and used widely fiscal mechanisms of influencing the market economy, both the developed countries and those in course of development.

In close connection with the anterior ones, this policy manifests and through the conception and provision of fiscal facilities to the economic agents, in order to stimulate certain activity

domains, economic branches or sub-branches, as support in the society's development. Among these are noted: the exemptions or reduction at the payment of income tax obtained in certain conditions; granting bonuses at the calculation of payment tax; modification of the tax shares and of the structures of tax system, of a favorable manner to achieve certain objectives, etc. Also as a coordinate of the public financial resources, must be considered the choice of the regulation modalities of each financial relation between the state and enterprises from the public sector (with broad functional autonomy), existing mainly, and more applicable variants. Thus, for instance, it can be chosen, either for integral retrieve of the incomes made by these at the public budget and integral cover from the budget of the expenditures made by them, or to adjust per balance (taking from budget the surplus of revenues or covering the difference of expenditures), or to receipt dividends from the profit obtained by those companies. Each of these options present, of course, advantages and disadvantages, going so far as to take into account the re-sizing the state economic sector, current general trend to restrict him by the privatization of some enterprises. In certain conditions, but especially, due to some unfavorable conjectural influences may be auctioned through a fiscal policy oriented towards the promotion of a budgetary imbalance in present, with the purpose of overcoming a situation of financial deadlock of the state and to give a boost to the economic activity creating new budgetary resources in the future. Moreover, it can be found that the acceptance or not acceptance of some public expenditures than greater than the current covering financial resources and, so, of a budgetary deficit financed from extraordinary resources became one of the main options of budgetary fiscal policy in the periods of economic stagnation or recession, having as purpose of re-launching the economy. From this point of view, it is significant that the regulation by law of the conditions, in which it can be appealed to such solutions, became a reality in the financial policy of the states, in the contemporary world. . But at the same time, there is a preoccupation of first plan of the governments to prevent or keep under control the inflationist phenomena that can be triggered from promoting these fiscal and budgetary

policies, which can generate harmful effects throughout the economic and social activity.

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CONCEPT OF EXECUTIVE AND PUBLIC ADMINISTRATION IN THE MAIN CONTEMPORARY SYSTEMS

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ABSTRACT

The occidental doctrine is using the expression of "executive" to evoke generically the two heads of the "executive power", the ministers and others dignitaries, the constitutional role of these public authorities cannot be reduces to the classic function of the executive, that only at the law enforcement, because the activity of the public administration is a species of public activities. A separation of the attributions mainly political by those mainly administrative is impossible without a constitutional picture of those, so that both the state leader and the government, in the quality of "heads" of the public administration structures achieve the link between political and concrete of law enforcement, or by establishing some subsequent standards, either through the provision of public serves within the law's limits. The administrative doctrine with legal character identifies two big types or systems of law applicable to the administration: the Anglo-Saxon type and the French one, systems which shows the national specific features, as a result of the mutations incurred after the Second World War.

Key words: public administration, public services, executive

Introduction

The society is an organized way of existence in the sphere of the life events. The society assumes the existence community of some individuals articulated in assemblies more or less persistent, so it is proper not only to the human world, but in different degrees and to many species of the animal world. Etiology and

sociology confirmed that, indeed even at the level of some inferior species, these organize their behavior in forms that remind of what in the human sphere is called family, property, hierarchy, common territory, helpings, and altruism.

Definition of the concept of society subsumes two categories of meanings:

Specific crystallization of relations between the human individuals and institutions (capitalist society, rural society)

Character of unity (entity) which they acquire the social relations relative bordered (Romanian, German and European society) in this category of meanings are framed and the small communities, which are representative for a determined area (having value of sample) and which serve as bases of ethnographic researches

The public administration system, viewed as a multitude of organizational forms, which groups categories of people that form the personal of public administration, is a social organization system based on the relations which are between those who achieve a certain type of activity, called public administration. The system of public administration as system of social organization exists and operates within the global social system.

Within the public administration system is formed a series of social relations which have a legal arrangement, but also some unregulated legal relations, but both categories related to the behavior of people who make the public administration and have the importance for fulfilling tasks assigned to the public administration system. The connections that exist between the global society with its structures and stratification, and public administration system,

expresses what the sociologists call the sociality and sociability of the administration.

The sociality of the public administration system express the features which particularizes a certain type of public administration in relation with the social environment in which is organized and operates, the component parts of the public administration system being established so that appliances or providing activities to be accessible to the social environment in which takes place. The administrative system is in time and space, in relation with a certain type of society which puts its mark on its structures on the public administration. From this point of view, it cannot be talked about an abstract system of public administration, but of a concrete historical concrete of public administration, in a country or another.

Thus, the structure and performance of the public administration system are closely related to the particularities of the social groups inside the state, in connection with the geographical environment, the economic skills, the historical and cultural traditions of the people make up social groups. At her turn the administrative sociability outlines in what extent the system of public administration is intermingling by the social environment, and in relation to this, if it is or it isn't compatible with the global society.

Research method

Throughout the work is combined harmoniously more research methods from the human and social sciences domain and namely: document analysis, direct observation, operationalization of concepts, information processing and of results from the case study.

The systemic approach by treating the phenomena and processes in their interdependence, takes into account all the anterior approaches and theories in resolving the decisional problems, taking a series of elements that are treated in a integrative vision and, starting from the notion of administration and executive as systems of the same organization.

Results

In the case in which the people who compose a certain type of public administration are only representatives of certain social classes, this type of public administration is incompatible with the social environment in terms of social composition, leading to malfunction functioning of the public administration system and inadequacy of public administration to the social environment. On the contrary, if in the public administration enter persons on different social categories, from different geographical regions, and is accepted the participation at performing the tasks of public administration of different civil organization, we are dealing with a compatibility report between the public administration system and global society, specific to the democratic states.

For the compatibility with the social environment, the public administration system must regulated automatically, under the aspect of structures and ways of action, needs of the society (for example, establishing the operating schedule of a public institution depending on the time that the citizens who belong to these institutions).

In another opinion, the notion of executive power or executive is a vague notion, due to the complexity of the phenomenon to which it relates, of its double sense – material and organic – as well as due to the different concepts that they reflect. The existent conflicting elements between the etymological meaning of the executive word, which involves the idea of subordination, of execution of the law, and the real sense of the notion which demand from the authority's spectrum that they exercise, bring other problems in the conceptual configuration of the executive power, some being related to the autonomy of executive notion.

However, the executive comprises, traditionally, two types of organs: the head of state and governments, whether they coexist or not, when it coexists having shared functions and different responsibilities. Unlike most of the representatives of constitutional law, some authors of administrative law exclude the idea of "executive" replacing with the one of administrative function. In their understanding, the administrative function is considered

traditionally that one of the three functions of the state, beside the legislative function and judicial function.

In the classical constitutional concept, the administration is the action of executive power, based on procedures of public power. In this optic, the administration is not the only task of the executive, but it is an exclusive task of his. In the argumentation of this support is shown that the executive has a series of tasks extra-administrative, exercised in the constitutional relations with its Parliament or in the international relations. Meanwhile, the administration is the exclusive task of the executive, it not being possible to be exercised neither by the judicial power, nor by the legislature, by virtue of the principle of separation powers in state. In another opinion, Jean Rivero admits the idea of a differentiation between government and administration, although the delimitation of these two notions is not easy to make. In this view, to govern means to take essential decisions that employ the national's future, while the administration is a daily task that has not the proportions of the governing mission.

From these opinions it can be concluded that between specialists in constitutional law there are not always convergent point of view. In the opinion of the firsts, the executive function of the state function is confused with the authorities who exercise the executive power. Among the second category, the state administration and executive represents a unique structural unit, of whose task enters the entire contents of the executive function.

From the structural point of view, the executive is subsuming the public authorities that exercise the executive function and not to be confused with public administration. Taking into account of structuring the executive, it can be made difference between a monist executive and a dualist executive.

The monist executive. The regime of the monist executive is a reminiscent of the imperial antiquity and monarchical absolutism adapted to the constitutional rules. Thus the occurrence of separation of powers in state theory, before England and then France, led to the transformation of the absolute monarchy in

limited monarchy and at finding, then, the executive forms subject to the rules of parliamentary democracy. It is worthy to note that in the transition from the absolute monarchy to the limited one by the Constitution, the monarch has lost in good the power of its attributions, to him being left the exercise in exclusivity of the executive function, in competition with the legislative one, whose exercise participates beside the Parliament.

The dualist executive is a single feature, in the first place, to parliamentary regimes, within which the executive function is entrusted to a person and a collegial body, which have attribution that performs them relatively autonomous; the person fulfills the head of state function, and the collegial organ is called the Ministerial Cabinet, Government, Council of Ministers, etc. By its nature the dualist executive acts nuances from state to state, and within the same state, depending on the concrete nature of the relations between the head of state and collegial body. The parliamentary regimes are, by their essence, dualistic, they have a head of state, appointed by the Parliament, and a Government, which it headed a prime minister, who exercise the function of Head of the Executive. The function Head of State, appointed by the Parliament, it is twisted by the role of the political parties in his nomination, as the head of government is subject to the majority parliamentary rules.

Understanding thus, through public administration that activity which consists, mainly in the organization and ensuring the execution, but and in direct enforcement of the provisions of the Constitution, of all the normative acts and of the other legal acts issued by the state authorities in accordance with law, the activity is made the authorities of the public administration, we detach on one side the position of the public administration within the different activities of the state authorities or of the local collectivities, and on the other hand, we are deciphering the two essential and indispensable elements of the public administration, namely the structural and organizational element and the functional element.

Unlike the totalitarian state administration, where it is always exclusive availability of the unique power, being centralized and organized, and

unitary at the level of the entire national collectivity, and, as a consequence, is always a “state administration”, in the right state’s conditions, in which the separation of powers, decentralization of the administrative services and administrative autonomy are the fundamental coordinates, organizational and functional structures of the administration are arranged both at the state’s level, so of the national collectivity, situation in which we have the central or territorial of state public administration, as well as and at the level of local collectivities, where is organized and the public local administration operates.

It must be noted, however that the administrative regime of a nation exercises influences on the political, economical and social life of the respective nation. Thus the English administrative system, in its classic aspect, favorable to the local collectivities and that puts the administration and those administered on a footing of equality in front of the judicial power, has contributed to development in the local life of a certain appetite for participation at the public affairs and made to increase at citizen the sense of liberty. Other system, that does not get such effective guarantees, trains the sleepiness of the citizens, their passivity. This is conditioning the failure in the administration of different nations. Therefore, an administrative regime in a country it isn’t only a result, but it is and a cause.

Throughout the work is combined harmoniously more research methods from the human and social sciences domain and namely: document analysis, direct observation, operationalization of concepts, information processing and of results from the case study.

The systemic approach by treating the phenomena and processes in their interdependence, takes into account all the anterior approaches and theories in resolving the decisional problems, taking a series of elements that are treated in a integrative vision and, starting from the objective of organization as a system, determines its requests compared by its different components that are integrating in the structure of the ensemble.

As a first example, the Anglo-Saxon legal system is defined compared to the French one by two

feature; the norms which compose it are rules of the common law, and the administrative disputes are settled by the judicial courts of common law and not by special instances of administrative courts. The features have highlighted both in England and USA, only until the half of the XIX century, when the local administrative reforms from both the countries marked the institution of some special legal rules, derogating from the common law – rules of administrative law.

The characteristic of the British constitutional system is the absence of a constitution in the formal sense and not in a material sense, since at the coherent ensemble of costumes are added legal texts adopted by the parliament, of a greater importance to develop the political institutions from this country, as the reports between the governors and governed ones, such as: “Magna Charta Libertatum” (1215), “Petition of Rights” (1628), “Habeas Corpus Act” (1679), “Bill of Rights” (1689), “Act of Settlement” (1701), “Reform Act” (1832), “Parliament Act” (1911), “Statutory Instruments Act” (1946), “Parliament Act” (1959). Along with these acts was applied and a large number of traditions and constitutional customs with a well established functional role, of which existence and compulsoriness it is aware the entire English nation, these traditional constitutional symbols being respected rigorously, without feeling the need of a codification.

In this respect, Prof. C. Dissescu appreciated at the beginning of the century, that memory and daily use of the individual rights and liberties sanctioned by the British custom are dug deep into the people’s life, so deep that no constitution in the world has been so little ignored as it was the English Constitution.

In England, the formation process of the government, especially of the Monarchy and Parliament has passed through different phases. First, it was formed the Crown as a symbol of the public authority. The Parliament emerged later as a reaction of the bourgeois reaction against royal absolutism, manifested often in violent forms.

The British Parliament, one of the oldest institutions of the constitutional edifice is composed of the Queen, the House of Lords and the Chamber of Commons.

The origin of the Chamber of Lords, as noble organism, having the prerogative to advise the King, must be sought before the Normand conquest of 1066. Initially, the Chamber of Lords had an obvious superiority towards the Chamber of Commons due to the privileged position in relation with the Crown, the political power of the Chamber of Lords coming from its great social composition: the big English aristocracy and the Dignitaries of the Kingdom, bound by common interests of the institution of royalty.

Until the end of XVII century, the Camber of Lords represented the real center of the political power, after which its political role diminished, becoming a symbol, so that today, the political power of the British parliament is concentrated within the Chamber of Commons, being exerted by this, in close liaison with the political program and the interest of the government party. From the point of view of organizing the powers and relations between them, the old constitutional customs were replaced with others. Thus, if the recruitments of prime ministers was made, according to the old customs, among the Chamber of Lords, and the ministers were accountable for it, today the minister's answer is only committed in front of the Chamber of Commons, and the prime ministers are recruited from representatives.

The Chamber of Lords is led by the Lord Chancellor, member of the government and president of the Supreme Court of Appeal. The Chamber of Lords can name special committees with temporary character involving with solving some concrete problems of the activity of Chamber. Also, the Chamber of Lord serves the monarch to make known its position beside the program of Governments through the message of Throne. The Chamber of Lords, symbol of constitutional development of the Great Britain and decisive factor of strengthening the confidence in the English nation within its political institutions remains a constant of the political life, being kept not only the government system, as political institution deeply rooted, but and in the public consciousness.

The Chamber of Commons is the body that concentrates the entire legislative power of the Parliament of the Members of Chamber of Commons is chosen through general elections

by a universal vote. The chamber of Commons is presided by the "Speaker", himself parliamentary elected in this function by the members of Chamber. He has the task to lead the debates from the Chamber and to watch at respecting the rules of parliamentary procedure of the Chamber.

The right of dissolution of the Chamber that the Monarch has it, but actually the prime-minister is the one who request to this the dissolution and the King complies. The Camera has both a legislative function, and non-legislative function, as is the control exercised on the Government. As for the legislative function of the Chamber of Commons, it is guided from the shadow a Government, which uses the parliamentary leverages and strict norms of the party's discipline. There are and situation, when the Parliament expressly entitles the Government to adopt norms with power of law, but the Parliament reserves to itself the right to control the normative activity of the Government, both through its commissions, and through the creation of legislative framework in which any person, physical or moral, can complain if through the Government's acts it has produced unjustified damages. As un-legislative functions of the Chamber it can be retained the responsibility of the ministers in front of the Parliamentary but and the budgetary power of it, although the British Constitutional system the budgetary activity can be reduced schematic to the following formula: the Government requires funds, The Chamber of Commons grants them, and the Chamber of Lords approves this award.

Although the British constitutional system is based mainly on the principle of separation of the three powers: executive, legislative and judiciary power, between these constitutional mechanisms of interference, collaboration and cooperation in the process of government. For example, the Parliament calls the prime minister and ministers, the government and deputies interprets the ministers, etc. An expression o these cooperation between the powers is and the ministerial responsibility which consists in the parliamentary prerogative to ask the government members to report in front of it the connection in which they perform their duties.

The England's' Monarch is a symbol of traditions, just apparent involved in the political life, its

status corresponding to the maxima: "Kings reigns, but does not govern". It is considered irresponsible in matter of penal and civil matter. The so called political role of the monarch is purely formal, because it conforms either to the government's wish or of some customs in his favor.

Thus, the Monarch has the following attributions:

- appointment of the Prime Minister (in mandatory way the leader of the winner party at the elections);
- sanctioning the law (the customary recognizes its right of veto, but this right was not used since XVIII century);
- presents "message of the Throne" at opening of each parliamentary session, in fact, a plea in the favor of the governmental program of the party found at power;
- handing out the orders and distinctions;
- dissolution of Chamber of Commons (the initiative belong to the prime minister, the Queen conforming to its application);
- declaring the state of war and peace settlement;
- concluding treaties;
- recognition of other states and governments

The king retains it undisputed role as Head of the Anglican Church, being also head of the British Commonwealth. The thesis after, in the Anglo Saxon countries there is not a administrative law, within the sense of French administrative right, is sustained and by north – American authors. The practice spirit of the Americans led to the removal of the ancestral British rules, forming an administrative law, not only for the active administration but and for the contentious administration and, ultimately the disputes between two administrative authorities or between the administrative authorities and private persons being solved after the law of common right.

Currently, the content of the American federalism can be characterized by the following features: constitutional autonomy of each state; wide manifestation of the popular initiative; administrative decentralization. The U.S. federal character of the state results even from the wording of the Constitution and is expressed in the two general principles of federal organization: the principle of participation and principle of autonomy.

The principle of participation, contained in the first article of the Constitution, the 3 paragraph, provides that each state of the Union is represented in Senate by the two senators.

The principle of autonomy, enshrined in the Amendment X adopted in 1791, provides that: the powers that are delegated of the Unit States by the Constitution and are not nor prohibited of these to states, are reserved to the respective states or people". Benefiting of autonomy, the federal states could have its own Constitution, as well as and regulations of local interest applicable to the civil circuit, in the budgetary, administrative, fiscal, judicial domain. The principle of autonomy is guaranteed, any law that would violate the autonomy of a state can be attacked before the courts for unconstitutionality. The U.S. Congress, the federal legislative body, is composed of two legislative chambers: Senate and Chamber of Representatives, and has two main functions: adoption of federal laws; control of the Executive's activity

The Congress has the constitutional right to ask information from any agency/ service of the administration. Naturally some information is obtained with difficulty, the power of the Congress being contested by the Administration. In such situations, the last word will have the courts.

The U.S. President has the following traditional functions: head of state; head of executive power; chief commander of the armed forces; chief of diplomacy; legislative function; function of informing the American people about the state of the Union

Beside these functions, the President has and other prerogatives: coordinator of the economic policy defended of the social policy, pivot of the federal system, owner of the striking situation of some internal or external crises.

As head of the state, the President exercises the classical attributions of this institution, of which can be mentioned the following: - representation of the American nation on internal and external plan; - accreditation of ambassadors; - receiving the representatives of other states; - conferring honorary titles of honor of some civil and military distinctions. Regarding the attributions of head of the executive power, the fundamental Law does

not explain the content of this power. Some analysts have estimated on the basis of the constitutional text (Article 2, Paragraph 1) as "notion of executive power" is the synonym with that of "President". To the President awarded the task to ensure the enforcement of the laws (as general attribution of the executive). In this sense, the Constitution provides that the President "supervise the correct application of laws" (Art 2, Paragraph 3)

The French constitutional system is only a presidential system, but and parliamentary, the two characteristics of parliamentary constitutional system wording in the content of the French Constitution: - political responsibility of the government in front of the parliament; - dissolution of the parliament by the executive, in certain conditions express stipulated and limited in the Constitution

Unlike the legal Anglo – Saxon system, in France the judicial system is divided in three branches: criminal law, judicial law (private law) and administrative law, each of the three branches being organized and functioning after their own rules.

The administrative judicial system consists of administrative courts, State Council, advisory body of the Government and at the same time, the supreme body of administrative jurisdiction. It is generally accepted, that the jurisprudence practice of the Council of State represented the "propelling force" of the French modern administrative law, its decisions being generally accepted as sources of the administrative law in force.

The indicators of the current French constitution, promulgated on October 4 1958 were concerned about two fundamental ideas, which are found in its content due to the ability with which the General De Gaulle who was then in charge of the government, has maneuvered the constitutional instruments that had available:- necessity of strengthening the executive power, especially of the constitutional prerogatives of the head of state, to which it comes the role of arbitrator between the political forces, French citizens and bodies of the state, and the mission of being "the guarantor of the national interdependence, of respecting the Community's agreements and of

treaties" (Art. 5 from the Constitution); - configuration of a "rationalized" parliament of which functions to be limited at the control of the Governments and voting the laws, in certain areas of the social life

The French Constituent had in view a net separation, quasi absolute of the three powers and the achievement of a stable equilibrium through the arbitrary of the President of the Republic. As mediator of the political forces, although it is component of the executive power, the President ensures the continuity of the national political, economical and social objectives, respecting the commitments made behalf of France, without giving in to the pressures of the parliamentary groups or of the resulted Government from the electoral confrontation of the political parties.

Although the Constitution establishes a preponderance of the role of executive power in the whole process of government, the Parliament retains its traditional functions: voting the laws and control on the executive power, functions that are yet limited by the constitutional prerogatives of the Government. The preponderance conferred by the constituent of the executive power is explained both through reasons of economic order (in 1958 was taking birth the Common Market), as and of military order, but also through the fact that the lengthy anterior parliamentary political regime has not managed to solve the new economic problems, with which France faced after the Second World War.

In the French constituted doctrine is estimated that, after 1958 France had the institutions that it had needed and not by the institutions which corresponded to the own skills of government of until then, being generally admitted as, after 1958, the place and role of the Parliament in relation to the Executive were diminished much, even over the constitutional threshold. Today however, are opinions according to which the doctrine of the "rationalized" parliament does no longer presents actuality because in present is spoken by a parliamentary, stable and coherent majority which makes useless the attempt of the Executive to reduce the role of the parliamentarians.

Conclusions

In conclusion, putting into practice, within a service of the public administration, of the approach of "action plan" is, above all, a way to evolve the management methods in a rational and participatory sense, and effort to make the aimed persons to reflect on the own activity in terms of annual objectives and measurable results through some indicators.

The most part of the public organizations must face at the current moment of some constraints, being obligated to justify of a high manner, in front of the public opinion, which request quality, equity, transparence of costs, performance against the fixed objectives. The economic context can also intervene, conditioning certain behaviors: - searching an additional of economic rationality; - searching the objectivity in the domain of budgetary arbitrations;- concentrating the means in the direction of identified priorities

The administration is faced with changes that will result through a stagnation of even reduction at the effective level and which affects the work organization and the required skills by the new realities in the field of work. At the origins of these changes we can identify three types of factors: - external social factors of the public administration, related to the evolution of the mentalities and of request of citizens; - internal social factors related to the aspirations and motivations of the officers, the increase of the qualification level of professional training; -public service modernization policy due mainly to: - decentralization and de-concentration; - requirements of "Europeanization" in the public services domain; - development of informatization of public services; - the evolution of human resource management

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HOW ENVIRONMENTAL CHANGES INFLUENCE THE GROWING IMPORTANCE OF CORPORATE BRANDING AND REPUTATION?

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Abstract:

Corporate reputation and branding is one of the greatest paradoxes of today business world. Although hardly few managers question the importance of corporate reputation and branding as an intangible corporate asset, many of them offer much more attention to other aspects of running the business. As there is much controversy over whether managers should concentrate on corporate branding and reputation, authors attempt to explain why the two interrelated concepts are the important factors influencing competitiveness of the organization. Authors claim that need for strong corporate brand and reputation is the natural consequence of changes in environment of the organizations. The paper presents what major environmental changes have occurred over the period of past decades and indicates why organizations should focus on corporate branding. The authors argue that corporate brand and reputation should become the central elements in strategy building and present how they create value to stakeholders.

Key words: corporate branding, reputation, communication, strategy

Despite that the idea of company image can be intuitively understood, since the first studies on this topic were made [Kennedy 1977, pp 120-164, Martineau 1958, pp 47-55] until recently [Hatch, Schultz 2003, pp 1041-1064], absolute agreement on how it should be defined and

operationalized has not been reached [Gioia at all 2000, pp 63-81, Balmer 2001, pp 248-291]. The above-mentioned lack of agreement does not make the studies in point any less important, as the corporate image is a valuable non-material company asset that needs to be managed [Abratt, Mofokeng 2001, pp 368-386]. A positive corporate image may increase the sales by raising the level of customer satisfaction and loyalty [Andreappen, Lindesad, 1998, pp 7-23], attract investors [Fombrun, Shanley 1990, pp 233-258] and future employees [Dowling 1986, pp 109-115, Lemnik at all 2003, pp 1-15]. Additionally, by reducing the effects of competition activity, it allows entrepreneurs to make above-average profits [Fombrun, Shanley 1990, pp 233-258].

Image building depends on communication [Kennedy 1977, pp 120-164]. The Gray and Balmer model of corporate image and reputation management discusses how the corporate identity creates the image via a number of channels that company makes the use of [Gray, Balmer 1998, pp 695-702]. Apart from personal and non-personal communication, a key factor which affects the corporate image are the stakeholders' experiences of interaction with the company [Dowling 1986, pp 109-115].

Despite the unquestioned importance of corporate image and reputation many companies suffer from image emptiness. Emptiness permeates the image of a company as a cold, distant, and soulless institution, unconcerned with the customers, employees, partners and other groups of stakeholders - unless it needs something from them. Such a situation is the more paradoxical, that in our time there is an increasing pressure on interactive

communication, dialogue and personalization. This implies that despite the changes that have been made in communications technologies and the changing audiences to whom the corporate dialogue is directed (nowadays these involve not just customers, but a wider group of stakeholders); companies should revise their views on methods of communication. The purpose of corporate image-building or the corporate brand should be not only protection and support for individual brands incorporated in the company's portfolio, or sustaining good relations with chosen groups of stakeholders, but rather showing to all who may be interested, that the company is creating a common value, unlike in the case of the above-mentioned anonymous, distant, soulless and solely profit-oriented institution.

What changes have affected the corporate communication milieu, so that certain once-effective methods became obsolete? What challenges does communication in today's world of business need to face? Below the major changes are discussed.

Interactivity

Traditionally, corporate communication used to provide information on the company's views, actions and plans. This was done by presenting various ideas, concepts and beliefs to a precisely chosen public. Informing, educating, persuading and influencing the behaviours of target audiences was attempted, when people managing a company decided that they were of importance to the company. Communication effectiveness was usually measured by means of parameters informing on the message accessibility to the audience. To put it in a nutshell, only the numbers of message receivers and the number of message receptions were measured. The basic assumption was that the more information reaches the greater number of recipients, the better. Thus, companies following this trail of thought put an enormous emphasis on the number of messages, believing that this would result in the desired image and reputation.

These days without any doubt, interactivity is the most stressed element of communication. The flow of information and dialogue is taking place between the cooperating companies, companies and consumers, or companies and all possible stakeholder groups. In many cases, the unilateral mode of communication is transforming into something of a continuous, never-ending dialogue between the aforementioned entities. The dialogue concerns a variety of issues, including ones such as current information exchange on the inventory status, production planning, or delivery demand. The basic difference from the traditional approach is, therefore, the fact that communication is run in a continuous manner, without any breaks which were a natural part of the traditional approach. Another is the fact that in the traditional approach communication was a matter settled by the company, which could be performed or not depending on the management's decision, in present time it is an essential tool in value-building without which no company is able to successfully compete in the market.

The growth of interactivity in the communication process in our times is undeniable and forces companies to change the methods of communication. This does not imply that the traditional unilateral ways of communication such as advertising, direct marketing, or traditional unilateral PR will be entirely dropped. It is likely that they will continue to be in use by companies, although in a narrower scope. New, more interactive systems will replace most of them.

Integration

Communication programs were prepared and implemented by communications specialists. This should not come as a surprise; however, these specialists were experts in an extremely narrow field of communication science. This meant that advertising experts would prepare commercial messages, Public Relations experts would be responsible for company PR, and internal communications specialists would deal with the flow of information inside the company. Additionally, what used to be a notorious practice, each of these communication areas was separately financed, and its effectiveness

separately evaluated. The above-mentioned specialists did not communicate with one another in order to arrive at a common, integrated content, since there was no need for such. Each specialist was responsible for their own functional line and required to fulfill the tasks within it. What is more, it was often the case that internal struggle for position within the company was viewed in terms of an appointed budget.

The changing model of communication does affect the way a company is organized and the other way round. The organizing methods used until now divided the work between specialized units within the company; the commands issued by them and the control over their execution seem no longer effective. Therefore they are being replaced with new processes and systems developed by companies. This is possible due to integration, which connects everything with everything, to put it colloquially. Due to technological development, the until-now separate levels of organization, operating according to autonomous rules, are starting to resemble communicating vessels. Moreover, in addition to company units becoming interconnected and co-dependent, the same phenomenon is affecting the relations between the company and its business partners and various institutions. This way, integration is one of the key challenges for 21st century company managers. The development of integration will result in building of systems facilitating relations with customers and business partners, efficient customer response systems, just-in-time deliveries, and exchange of all data types for optimizing methods of operation and increasing the market competition effectiveness. All this will have the aforementioned effect on the methods of organizing companies. It is likely that even the entities strongly constituted in their past of organization and management, such as strategic business units, will encounter serious problems with surviving in an unchanged form, as it will be increasingly difficult to isolate their scope of operation, ascribe given resources to a given SBU, and define profit generated by a given SBU, due to the above-mentioned "communicating vessels" effect. Integration is bound to have its effects on the communication process. The necessity of integrating all possible types of communication has been noticed by the more progressive companies. This will result in

the making of increasingly popular integrated and interactive corporate communication systems encouraging its image- and reputation-building.

Global communication

Before the development of the Internet and the rapid growth of telecommunications in the last few years, typical international corporate approach to communication consisted in focusing on the local market. As a significant number of local company branches would function independently from each other due to management decentralization, individual branches would offer different products and services in each market, owned independent factories providing local markets with goods, and had their own distribution channels. This type of management structure with a consequent freedom of functioning of the branches encouraged implementation of communications programs on the branch level. The area of their application was geographically determined, within which the strategic branch or department operated. Even effective communications programs were rarely applied outside the branch jurisdiction. In few cases, when communication programs from one region were applied in another, the process of implementation was usually run by so-called international specialists who, as a rule, would be trusted personnel delegated from the company headquarters. Their forte was their excellent knowledge of corporate communications systems in which respect they were professionals, still they were rarely informed on the target cultures, consumers and countries of program implementation. Consequently, the relatively successfully implemented programs, which had been effective in one region, due to the aforementioned ignorance for local conditions were introduced without any changes, which made them less successful communication-wise.

Today it is difficult to image a company not using the Internet in its operation. This has enormous implications for the company management. Until recently, companies were said to operate locally, regionally or globally. Today, despite evident differences in the scope of certain companies' operation, the above distinction regarding

territory is blurring visibly. When a company appears on the Internet, it generally becomes one that can access customers from any location on Earth. This means that practically all presently operating companies are doing so on the international, or one could say, global scale. As it has been said, this implicates considerable consequences in the area of management. Firstly, all limitations on information flow concerning product, service, or operation disappear. Global, multinational or international companies, which organized their operation according to the geographical territory criteria, have faced full globalization. While until recently it was possible to offer the same product at different prices depending on the area of operation, or use different, more effective distribution systems locally, today it is no longer possible. This is so because of the development of technology allowing customers, business partners and other stakeholder groups immediate access to virtually all information on the company actions in all parts of the world. Hence the thesis that all companies are becoming institutions that operate globally. The immediate accessibility of information for the above stakeholders indicates that a company should operate on similar terms globally. It should adapt a unified pricing strategy, unified distribution system and settling payments with its counterparts. These are standards to be met by companies in the situation of global access to information. Those who ignore the above changes in their environment are in danger of losing their customers on a global scale. This implicates that, generally, each company is facing the challenge of creating facilities in purchasing and using their offer for the global customer. It is vitally essential for those companies who are viewed as operating locally, since it is only a matter of time before their operation to face the difficult challenge from the more progressive competitors having strategies directed at a global customer (who will also include the customer of a small, local company).

A crucial question on the consequences to the communication process arises, being a result of the progressing globalization of practically all companies. The influence of the global approach to marketing, distribution, pricing policy, customer service models and many other elements of company operation is affecting the

communication specialists strongly. There is an increasing need in companies for specialists experiences and skillful in interactive and integrated communication in a multicultural, international and multi-language environment. The skills required for planning the information content expected from communication managers until recently, creating the message with this information, and selecting appropriate media to reach the target receivers with it, are becoming redundant. Nowadays it is not the company that communicates the chosen content to a target groups of stakeholders, but the communication consists in finding what information needs are there among given stakeholder groups, and then adapting the message in such a way that it matches these needs before it is directed to the stakeholders. Thus, instead of the traditional composition of skills a manager responsible for communication is expected to have, a new one is appearing. The well-known and effective models of communication made use of for many years are recently being replaced with new models. These need to be interactive and integrated by nature, match the global customer needs and give a possibility to target the local communication needs at the same time.

Focusing on intangible assets

Until recently, managers' main focus had been on company balance, which was tangible asset-oriented and focused on these assets' ability to generate a desired level of sales and profits. Therefore, the basic parameters which defined company success were production level, production line actuation capacities, market participation, distribution channel efficiency, etc. Those responsible for external communication usually received directions from the management, on what kind of information they were to communicate. Thus, the majority of messages directed to the outside considered ways of company resource absorption or effectiveness of processes applied in the company. In other words, information revolved mainly around tangible company assets, and more specifically, on how efficiently and effectively the company managed them. Information on company's customers, as well as its brands was eagerly accepted too, but it was

treated rather as a minor addition to the "more important" information. What is more, these minor pieces of information on customers and brands would appear only in the FMCG sector, and be entirely ignored in service companies and in business-to-business ones. One could wonder what brought about this state of affairs. The answer might be that the measure of a company's success was the level of its distribution and the amount of produced goods, not how many customers it reached. Therefore, the basic content of communication was the product, the factory, the production line and the process effectiveness. Corporate communication used to focus on sales raising, market participation, successful corporate competition and company worth.

As the weight of company goodwill is progressively moving towards its intangible assets, corporate focus will be increasingly on them. At the same time, proportionally smaller focus is being given to managing tangible assets such as production, materials management, inventory management and distribution systems [Schultz, Kitchen 2004, p 362]. This does not, of course, imply that companies will no longer manage these assets, but due to the advance in methods of tangible assets management and relatively even chances for all competitors, they will devote more and more attention of the intangible assets, which are the most likely to decide on the corporate competitiveness in the future.

One of the most sought-after management skills will be the ability to communicate to the stakeholders that the company will guarantee a stable and continuous growth of shareholder value by skilful adaptation to the challenges set by the changing environment. Until recently, the company financial balance was self-explanatory, providing hard, easy-to-verify goodwill measures, calculated against tangible assets. Nowadays, when goodwill is found in intangible assets and we calculate goodwill by means of expected flow of funds, the role of communication is gaining significance. Corporate success depends in the ability to communicate with shareholders and stakeholders, the ability to convince them to the adopted strategies, and the company's actions. Thanks to these, the ability to communicate

becomes the increasingly important tool for gaining competitive advantage.

The growing significance of customers and stakeholders

Focusing on tangible assets, once as a basis for positioning, went hand in hand with a belief that differentiation is a key to corporate success. Following this trail of thought, companies focused on product differentiation and competed in the so-called unique selling propositions [Schultz 1993]. In other words, the bulk of communication concerned positioning of the company product, product features and associated values, and product brands. The corporate brand and accompanying corporate communication constituted only a small part of company communication. It was generally assumed that the corporate brand is, firstly, something only financiers are interested in, and secondly, a construct whose influence on product brand value is unclear.

This belief, conceived in the USA, despite its falsity, had remained widespread until recently. Its popularity stemmed from the strength of the American corporations and of their strategies, seen as a model worldwide. Only few theoreticians and practitioners alike had seen the value of the corporate brand. With the practitioners in mind, the worth of the corporate brand used to be especially understated by those connected with companies, where the philosophy of product brand-building dominated. Such perspective resulted in product brands' being more visible in the market, and many consulting firms persuaded their clients that having a strong product brand portfolio was the best possible solution. This situation mainly concerned the American market, however it should be noted that the American solutions have been very eagerly adopted worldwide, and American practitioners, theoreticians, and experts - viewed as opinion-forming. Due to the focus on product brands, corporate communication received very little attention, and was seen as be of little value to the company. This, of course, was reflected by the budget percentage it was appointed. This continued until a crisis appeared. In such crisis situations, the events would take an entirely

different turn. It was the company, not its product brands, that became the point of interest to the media, public, consumers and various other stakeholder groups. In critical situations, it turned out that some companies, through their attitude and actions, won the public's sympathy and sustained their credibility, while others rapidly lost support and worth.

A growing number of company managers understand that the durability of competitive advantage arises from the ability to find and keep customers and cash flows they generate. The products and services are presently merely a means to achieve the purpose which is a desired cash flow level. This means that while the products and services may be changing over time, the company's need to find and keep customers will remain the same. The above rule applies not only to customers, but also to other stakeholders such as investors and capital market analysts. Goodwill is not the current share price. It should be said that goodwill is rather the trust and acceptance from the shareholders and other stakeholders given to the current company strategies and methods of managing the company by its lead, meant to bring about long-term success. The base for goodwill evaluation is no longer its tangible assets or the number of employees. The key element that affects goodwill is the company's ability to keep its long-term customers and the cash flows they generate. This, of course, has significant consequences for the ways of communication between the company and its environment. The weight of communication is, due to the above, shifted from all kinds of information on products and services to the existing and potential customers, as well as the stakeholders important for the company. The content of the communication must be adapted to the information needs of the aforementioned stakeholders and should focus on the issues of cash flow stability and value-building for the shareholders. This differs radically from the communication approach that was taken until recently.

Alliances and partnerships

According to the traditional approach, most organizations aimed at taking a position that would allow them independence from the suppliers, competitors, customers, distributors, etc. With few exceptions, their aim was to achieve the ability to control its environment and become independent. Thus, very few companies saw any value in associating, forming alliances or joint ventures, unless they were forced by legal regulations or court verdicts. Self-sufficiency was the purpose for most companies. Despite great numbers of strategic branches out there, the aim was to integrate branch operation in order to maximize profits, which could be realized on any stage of the value-building chain. This philosophy of company operation differed from the currently accepted one. Companies failed to notice the benefits of joining forces and working together on given projects. They were not interested in forming alliances and did not attempt to build common markets or corporate brands either. In that, now non-existent, world of monolithic corporations, communication seemed to be the last thing by means of which value could be built by means of cross-company cooperation. Organizations focused on profit and growth, and not cooperation with other, sometimes competing, companies. This was also reflected in methods of communication. Corporate communication was primarily focused on the so-called telling the "Company story" to the capital markets, in the hope that it will positively affect the company value evaluation and on competition actions.

Traditionally, managers would be in charge of their subordinates and one could argue that they had influence on the partners in the distribution channels. This meant that in most cases the manager had the power, or at least, control over these people or partners. This implied relative easiness in managing, since control was based on the command and task execution evaluation. An insubordinate employee could be punished by means of reprimand or dismissal, and a partner in a distribution channel by tightening of conditions of cooperation. Still, the situation is dramatically changing. In the world of alliances, partnerships, joint-ventures etc., situations under dispute increasingly often involve parties of equal position or independent from one another.

Therefore presently the managers are facing situations when they need to become negotiators and arbiters. There are more situations when directives and orders are not applicable. Thus, a communications manager is bound to face more and more challenges related to directing other managers to solve problem situations more gently and calmly. This poses another challenge for communication in the dynamically changing environment.

Corporate communication as an element of strategy

Corporate communication was treated as a kind of alternative solution. A company could choose to introduce corporate communication or not. This resulted from, among others, difficulties with measuring the effects of corporate communication. Due to these difficulties, no clear evaluation whether it affected the financial outcome or not was possible. The lack of measurable correlation between the financial outcome and the expenditure on corporate communication, the latter was neglected and usually was the first to be affected by cuts in the budget. Thus, depending on the financial condition of the company, the expenditure on corporate communication was made in a quite chaotic manner. It happened to be the case that certain amounts of money were spent in one year, while in the next one all corporate communication was stopped for the sake of saving, and their outcome was consequently upset.

Traditionally in business activity communication was often a mere addition. With the development of technologies and the changing environment where the companies operate, it can be stated that communication is becoming an element of corporate strategy. Investment in communication and income which the company will be able to generate by its proper management will be a priority for the managers. As customer and business partner relations management is becoming, as we mentioned above, a crucial element for company survival, communication is receiving a growing interest from the head managers. As mentioned above, maintaining interactions with customers, business partners

and other key stakeholders of a given company decides on its image and builds its reputation and shareholder value. Thus, communication in the modern world of business is no longer an expense but has a key position on the list of company investments. Another key issue will be the development of tools allowing evaluation of communication effectiveness and one of the basic tasks awaiting its managers will be the ability to define the value communication as such gives to the company.

Concluding remarks

Because of the aforementioned North American model, many companies in the last century decided to adopt the strategy of branding most of their offered products' positions in the assortment separately. This way, each individual product was a separate brand. This philosophy reached its climax between the 1960s and 1980s, it the golden age of mass marketing, which accompanied the rapid growth of the mass media. Each brand took its assigned market position, and what is more, each brand's position was separately communicated. One company, according to this approach, would have several different products of the same type at the same time, somewhat differently positioned and branded. In that world of product brands, the organization or company behind them was indeed an unimportant detail. Product brands were intended to keep the corporate brand in the background. It was believed that the less visible the connections between individual product brands were the better for the company – at least as far as consumer stakeholders were concerned. It was assumed that the consumer's awareness of the corporation behind the product brands was not desirable. However, as it turned out, this strategy has many drawbacks if applied today. While corporate communication and company reputation did not bear any significant meaning for the consumers, it turned out to be essential for the remaining stakeholder groups, such as investors, shareowners, business partners, influential analysts and others lively interested in the company goodwill.

The American approach, based on company product brand portfolio, although effective in the

case of few chosen companies in local markets, met significant difficulties when companies launched on international scale. Nowadays, the American strategy no longer works, even though American companies were extremely successful in their local market and achieved spectacular internationalization in the past decades, during which enormous progress was made in information technology and telecommunications, generating entirely different communication requirements for companies. The greater accessibility to information thanks to globalized media and popularity of the Internet is reflected in the increased interest of various stakeholder groups in company operation. Corporations are no longer obscure institutions manufacturing and marketing goods and services, but thanks to the social interest in their functioning they have become institutions operating within the society, and intended to acquire social legitimation for operating. In the situation when the company system of values is known to the society by the company's conscious actions directed at reputation and corporate brand-building, when a crisis appears, the company's reputation allows faster crisis management. In the case of companies, where the operating strategy is based solely on product brands, and the manufacturer remains anonymous, getting the company out of crisis is more complicated, takes more time and is connected with more financial losses. The above situation is, of course, one of the many drawbacks of basing one's operating strategy on product brands and remaining anonymous in the today's dynamically changing world of business.

The above-described changes taking place in the environment have an enormous impact on corporate brand management, whose importance is rising in the world of business today. The corporate brand identifying company reputation is one of its key intangible assets. Companies are increasingly going away from product brands to building corporate brands. This implicates, on one hand, the possibility to generate an above-average profit, and on the other poses a great risk in the case when, colloquially speaking, something gets out of hand, since in an undesired situation the company loses its image and reputation – this concerns the whole organization, and not just one product brand as in the case of a product brand-based strategy.

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IMPROVING THE LEARNING EXPERIENCE FOR INTERNATIONAL STUDENTS

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Abstract

The rise in the number of international students, in the UK over the last decade, has led to a growth in the cultural diversity of many UK universities. While many recognise the cultural enrichment that these students bring to the University (Killick, 2008), there is growing concern at the academic performance, of these students. While considerable effort has been expended on recruiting an increasing number of international students, from specific target markets, very little has been spent on understanding the challenges these students face studying in UK universities. This paper will highlight the opportunities to successfully recruit and help students overcome, many of the challenges, and adapt to the learning style of higher education in the UK. The results reveal that if universities are to claim to have a global reach they will need to introduce a strategy to internationalise their university. A claim that many make but the reality of the international student experience, through national student surveys, reveals contradictory findings. Therefore, to help universities develop a coherent and internalised strategy of internationalisation the author has developed a nine stage approach to help universities create an environment that welcomes cultural diversity and aids students and staff to develop a global perspective.

While it could be argued that there is a moral imperative to strive towards global awareness the pragmatic financial forecasts reveal that by 2025 the demand for international education will grow to 7.2 million students and if universities intend to play an active role in this market they urgently need to implement an international strategy. That not only helps international students adapt to the UK academic environment

but also permits UK students to gain a much richer academic and cultural experience to help them prepare for a career in industry that is increasingly looking for graduates with a global perspective.

Keywords: Cultural diversity, internationalisation, international strategy, higher education, student engagement.

Introduction

It has long been advocated (Pennington and O'Neil, 1994, p.13) that Higher Education (HE) is experiencing considerable turbulence as it grapples with the aggregated imperatives of growth, less generous resourcing, widespread curriculum change and demands for demonstrable, relevant measures of "output". Binsardi and Ekwulugo (2003, p.320) highlight that the higher education sector in the UK is facing some serious challenges in terms of funding, increased competition (local, national and international). Consequently, many universities are proactively applying their marketing resources to capitalise on a burgeoning international student market to negate a lack of financial sources from traditional sources. It is estimated that the most significant emerging industry in the 21st century is International education (Naidoo, 2007, p.289). This is encouraging news for universities who are beginning to become concerned about government spending cuts funding to Higher education which will see a reduction of 40% to the higher education budget, over the next few years (HM Treasury, 2010, p.52).

Asteris (2006, p.237) advocates that Britain has been a major beneficiary of the international student growth in that it personally accounts for about a quarter of the English-speaking market. The recruitment of foreign students yields significant economic benefits for Britain's higher education sector because the income derived from teaching them currently exceeds that received from home students by a substantial margin. According to the Home Office (2008) each year, international students contribute £2.5 billion to the UK economy in tuition fees alone and when you consider their expenditure, while in the UK, the overall estimated contribution is £8.5 billion. It is therefore not surprising that students from overseas constitute around one fifth of all students studying in the Russell Group of 19 leading universities (Owen, 2004). Brown and Holloway (2008, p.233) have argued that an income from international students plays a vital role in the financial viability of the HE sector. They posit that fees from international students represents almost one-third of the total fees income for universities. This benefit should not be overshadowed by the cultural enrichment and knowledge expertise that these students bring to the UK university experience.

Kinnell (1989, p.19) and Russell (2005, p.76) and Naidoo (2007, p.300) argue that international students should never be viewed purely as a source of revenue, where fees have been increased every year without thought to student destination choice but, should be seen as providing an additional donation to the academic and cultural life of the University. Kinnell (1989, p.19) further highlights an additional benefit of international students is that they take home with them their knowledge and experience of UK institutions and culture and numerous contacts which can help to create customers for British goods and services.

Growth of International Student Market

Kinnell (1989, p.8) points out that the total number of international students studying in the UK in 1984 was 55,500. Two decades later that number has grown by almost 700%, in H.E, to a staggering 341790 international students in UK

higher education institutes (see Table 1). Chinese and Indian students make up the largest proportion of international students. Although, Asteris (2006, p.236) points out that a forecasts of demand, for international student, places the United Kingdom as having a disturbing dependence on a specific source country namely, China. Thus using the basic scenario, it is predicted that there could be 131,000 Chinese students studying in the United Kingdom by 2020. Although, the actual number of Chinese students enrolling at British universities, in 2006, declined by 22.8% (Universities and Colleges Admission Service, 2006). As a consequence the United States has replaced Britain as the preferred overseas study location for Chinese students (Tysome, 2005).

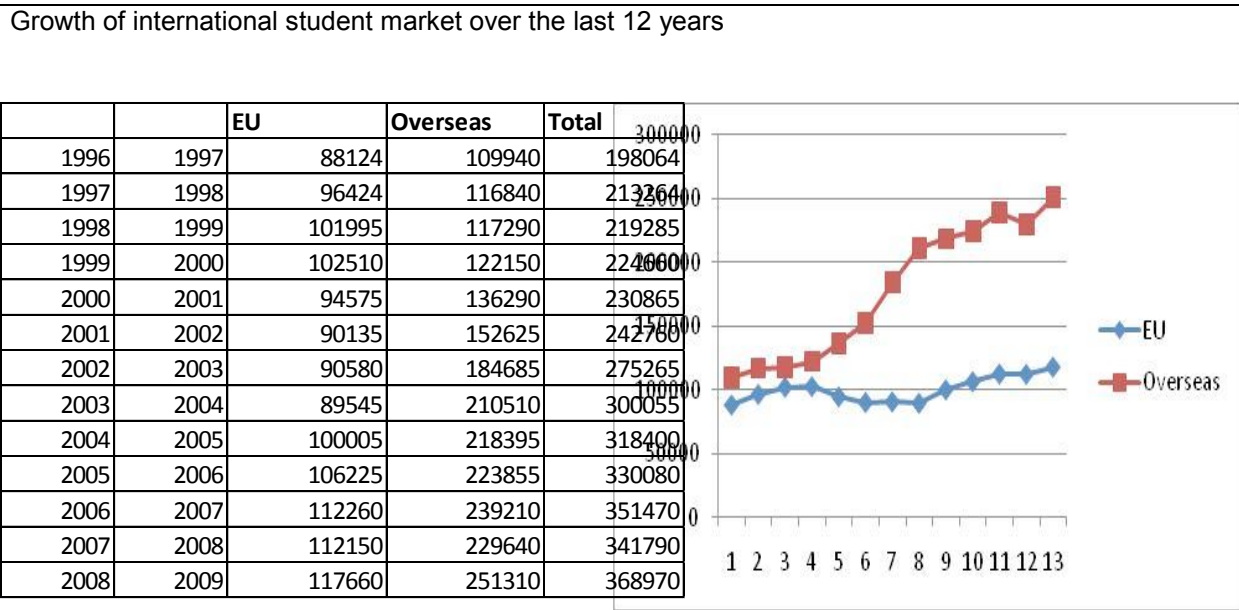
The decline from one international source may be mitigated by the rise from another international source. Apart from China and Japan, Africa has more students studying abroad on undergraduate and postgraduate courses. Dzvimbo (2003) and Maringe and Carter (2007, p.472) reveal that Africans students select the UK ahead of global competition from the USA, Australia, Canada and some EU countries because they perceive the UK to provide the best scope for accessing an international higher education experience which has a global appeal. However, the UK cannot remain complacent as there is increasing competition from continental European nations namely, France and Germany who are now offering courses taught wholly or partly in English (Asteris, 2006, p.234). The added attraction of studying, in these nations, is that students have the opportunity to learn another European language and pay significantly lower tuition fees.

The competition for fee paying students is increasing globally (Trice and Yoo, 2007, p.42). Bohm et al (2004) state that, *ceteris paribus*, the UK will continue to attract students from Asia (China, India, Malaysia, Hong Kong, Pakistan), EU (Greece, Germany, France, Ireland) and the Africa. The recent growth of many other economies in Asia has led to an increase in applications from Thailand, Vietnam.

Furthermore, the rise of oil prices has led to an injection of vast sums of money permitting the governments of the Middle East namely: Saudi Arabia, Qatar, Kuwait, Bahrain and the UAE to offer more scholarship to their citizens, to study in the UK. Additionally the expansion of the EU

has led to an increased number of citizens from Poland, Czech Republic, and Hungary seeking places at UK universities. Finally, the growth of the Turkish economy has lead to a steady increase in the number of Turkish students seeking to pursue their HE studies in the UK.

Table 1: Growth of International Student Higher Education Market



To appreciate the growth in international students, to the UK, we need to first understand why these students choose to pursue their studies in UK HE institutes.

Factors Influencing Choice

The decision to study overseas is one of the most significant and expensive consideration that students and their families may ever undertake (Mazzarol, 1998, p.165). Therefore, the high cost of studying abroad makes it a complex decision. Most complex and expensive decisions are more likely to involve deeper buyer deliberation (Assael, 1981 cited in Nicholls et al., 1995). The decision is usually judged by assessing each option through a performance criteria that assesses each option based on attributes associated with the product (Brassington and Pettit, 2005, p.70). The assessment criteria can

include tangible issues that include price, module options, service support and intangible issues that relate to University image, city image, trust in the supplier (university). Trust in the supplier may be an important factor, used by decision makers, when evaluating competing suppliers (Palmer, 2000, p.183). A number of other factors, influencing student choice, have been identified in the literature and Cubillo et al. (2006, p.104) have segmented the decision making factors into four distinct themes, namely:

- personal reasons (Mazzarol and Hosie, 1996; Lin, 1997; Binsardi and Ekwulugo, 2003)
- country image (Srikatanyoo and Gnoth, 2002; Binsardi and Ekwulugo, 2003)
- institutional image (Lin, 1997, Mazzarol, 1998, Soutar and Turner, 2002; Price et al., 2003)

program evaluation (Srikatanyoo and Gnoth, 2002; Binsardi and Ekwulugo, 2003

A study by Binsardi and Ekwulugo (2003) showed that the UK is chosen primarily for its educational standards and the recognised qualification worldwide. The traditional approach to recruitment which was based on 'a one size fits all concept' (Maringe, 2006) needs to give way to approaches which recognise not only an increasing diversity of the market but also the greater involvement of applicants. Maringe (2006, p.477) asserts that applicants are no longer passive consumers and are increasingly becoming discerning choosers in the higher education market place. Students are showing a growing interest in information on programs and price related information as being indispensable to their decision-making. Russell (2005, p.75) advises UK universities that they should consider the true motivations of international students' aspirations for obtaining a UK degree.

Mazzarol and Soutar (2002) conducted a survey among Australian students and found that the most important factors were the quality and reputation of institution and the recognition of the institution's qualification in their country. Further studies by Baldwin and James (2000), Mazzarol (2001), Mazzarol and Soutar (2002), Moogan et al. (1999) and Gomes and Murphy (2003) among others, have investigated patterns and motivation of student migration to Western countries, especially, Australia to identify factors which students consider important in their decision-making. Critically, these studies suggest that student overseas decision-making is modelled by a combination of push and pull factors. Push factors tend to be economic or political (lack of HE supply in the country, Government scholarships to study abroad) appear to play a more significant role in choice of country. On the other hand, pull factors such as institutional reputation, international recognition of qualification, teaching quality and location of university appear to exert greater influence on institutional choice.

Universities have, over the years, developed increasingly sophisticated marketing tactics to attract international students. They also need to consider issues that affect international students adjusting to the living and studying in another country.

Challenges Adjusting to the UK

Ryan and Carroll (2005) assert that the recruitment of international students' demands that sufficient provision is made to cater to their needs especially if universities wish to continue to successfully attract international students.

There is a common perception that international students will soon, after initial challenges, assimilate and adjust to the academic life in the UK (Peter, 2005, p.5). Although, it is well documented (Leonard and Morley, 2003) that international students experience adjustment challenges, when they arrive in the UK, there is limited agreement as to what adjustment means (Ward and Kennedy, 1999). Brown and Holloway (2008, p.243) assert that "adjustment is a dynamic and multifaceted process, fluctuating as a result of a host of individual, cultural and external factors." Furnham (1993) states that it is "a process of change that is stressful at first, with problems being the greatest upon arrival and decreasing." This view is supported by Brown and Holloway (2008, p.244) who assert that problems are acute upon arrival but there is variance in the experience and duration. They go on to highlight that the main challenges faced by international students are cultural distance, language problems, academic demands, loneliness and homesickness. Although, this may not always be the case especially for students who never adjust to the academic expectation and continue to accelerate in the challenges they face during their studies. What is clear from the literature and argued by Lord and Dawson (2003) is that universities do not provide timely pastoral and academic support for international students.

To help tutors develop appropriate pedagogical tools, to engage students, it is essential that tutors are aware of the learning styles of their students (both from abroad and in the UK) to

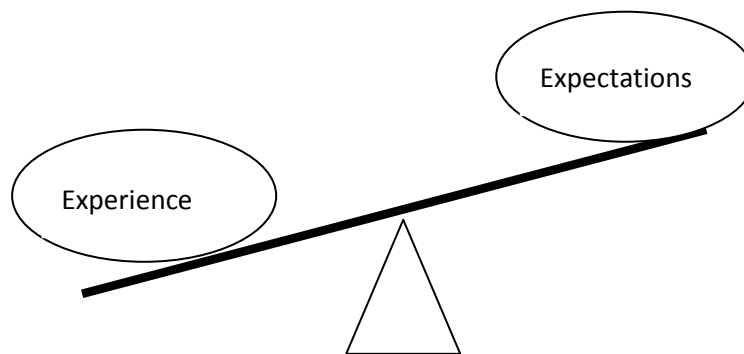
ensure that academic tutors are meeting the educational needs of international students.

Academic Awareness and Support

Academic tutors take on a multitude of roles, in their current position, at university and while teaching is expected, from most, it is often assumed that the tutor will apply appropriate pedagogical tools to convey the knowledge to the

students. This view is now being challenged as many students are being actively encouraged to voice their views, of the teaching and learning experience for the module and the university experience, through module evaluation forms and the national student survey. The results from these surveys and student comments on social networking sites reveal that there is a gulf from student expectations and the actual teaching delivery experienced (see Figure 1).

Figure 1: Expectations vs Experience



Previous research by Ellington and Ross (1994, p.4) revealed that Britain's universities, are coming under increasing pressure to produce tangible evidence of the quality of the teaching which they provide.

Brown (2005, p. 400) acknowledges that higher education teaching in 2004 is a very different animal from what it was in 1984 or 1994. What was regarded as good teaching yesterday may not pass muster today. A whole raft of innovations have been introduced, partly driven by the increase in numbers of students and the consequent need to use resources more efficiently, and partly by a wider and wider recognition of the ineffectiveness of the "traditional" lecture/class/examination mode of teaching, and the year-long as opposed to the short modular length of course. In most universities the emphasis is on teaching, much of which is conducted on a highly cost-effective basis (Frank, 1996, p.4). Whereby, tutors engage students in large groups. (Race, 2005, p.130) to impart knowledge and potential employment skills.

The acquisition of employment skills is paramount to international students as the purpose of a degree has become more explicitly to assist the graduate to get a good job. The universities of the 1990s were very much places where students came to obtain those job-enhancing qualifications, and this continues today in the early 2000s. Indeed, league tables of university performance published in newspapers like *The Times* and *The Guardian* now contain a column listing the percentage of each institution's graduates who are in employment six months after graduation (Brown, 2005, p.395).

Valiente (2008, p.86) points out that the teaching and assessment methods within Western universities, aggravated by short periods of cultural transition, seem to have hindered the international students use of advanced learning strategies and the overall process of acculturation. Valiente (2008, p.86) advocates that there is no right, single and clear way to learn that may apply to everybody and all circumstances. Nielson (2008, p.155) highlights that previous studies have shown that learning

styles of university students are not stable over time. Although, Sims and Sims (1991) and Dunn and Griggs (2000) agree that the closer the similarity between students learning style and their teachers teaching style the higher the level of achievement. This strategy of teaching suggests that we focus not only on the content of what is to be learnt, but also on individual learning style, presentation of the content and activities to engage students to help reinforce the knowledge.

Deeper learning

One of the largest overseas student groups, studying in the UK, are from China. These students have been exposed to an educational system which has produced pupils with the highest academic achievements in Mathematics and science (Paton, 2010; OECD, 2010). It is commonly believed by many Westerners that this is achieved through rote learning a surface approach to learning. In line with Marton (1975), Biggs (1985) found that the surface approach correlated negatively with academic performance – surface approaches have been associated with perceptions of a burdensome workload, poor quality teaching and lack of choice ([Entwistle and Ramsden, 1983](#); [Entwistle and Smith, 2002](#); [Prosser and Trigwell, 1997](#)). There appears to be a general consensus that deep and surface approaches to learning are related to better and inferior quality learning outcomes respectively (Elveson, 2004, p.534).

There is a predominant view in the literature (Chow, 1995, p.12 and Thompson and Gui, 2000) that advocates that Chinese learning style and orientation showed preference for the traditional methods of lectures with complementary case studies to be more effective than the more dynamic approaches, such as action learning, competitive teamwork and role-play exercises. Thus further reinforcing the stereotype of Chinese students as passive learners. These beliefs have become so prevalent and entrenched that even the Confucius culture students themselves have often internalised these descriptions of themselves and accept the image of themselves as lacking in initiative,

socially inept and boringly bookish. Western teachers by contrast have also internalised the notion that their own personalities and cultures are assertive, independent-minded and better skilled socially. (cited in Louie, 2005, p.22).

This view is being disputed by research evidence from Watkins (2000); Nield (2004, p.195) and Louie, 2005, p.20) who challenge the conventional view and argue that the Chinese are not rote learners and this view is stereotypical. This cultural misunderstanding can lead to activities employed in a class that are culturally inappropriate. Biggs (1994) found Chinese students, the world over, actually preferred “high-level” or “deep-learning strategies” over the commonly misperceived rote learning. This has led to suggestions that, for years, the learning styles of Chinese students have been misinterpreted as rote when it is, in fact, repetitive learning that has been adopted. Chinese students claimed they adopted repetitive learning styles once they understood the material so that they were better able to remember the information during examinations. This learning approach can be traced back to Confucius who believed that, “study without thinking/reflection is a waste of time, while thinking without study is dangerous” (Analects, 1992, p. 19).

Designing exercises which place students in real-life experiential learning situations and requires them to apply theory to actual industrial circumstances and issues can be immensely valuable to them. Not only can it facilitate the development of deep learning and transferable skills but can also be valuable to the future studies and employment of students (Ball, 1995, p.19). Pennington and O’Neil (1994, p.16) advocate that a deep approach to learning is best fostered by teaching and assessment methods that promote active and long-term engagement with learning tasks.

The author proposes a continuum (see Figure 2) that students may adapt depending on their interests and motivation to learn the topic. From limited understanding, to strategic temporal

Likert scale to gauge the degree of agreement, with these issues, from the international student population. Initially, the questionnaire was pilot tested with 40 students and the results revealed that minor refinements were needed in the wording. The final version of the questionnaire was administered to students studying at the largest (currently 41,000 students) post-92 university in the North of England.

Sample

The questionnaire was administered to international students during the second semester of the academic calendar, as it was felt they would have had sufficient exposure to the university's systems and learning practices to provide valuable feedback. After a review of the completed questionnaires a total of 131 questionnaires were accepted for analysis. In terms of gender there were 63 males (48%) and 68 female (52%) and the average age of the respondents is 22. The international students, in this sample, were predominantly studying undergraduate course (75%) and the remaining quarter of students postgraduate courses. Since the research instrument had gone through a rigorous design process the Cronbach's Alpha for the questionnaire was very high (.831).

Results

The questionnaire was segmented into three categories. The first section addressed issues relating to university marketing and factors influencing the decision choice of the international students. The second section sought to identify the key social and academic challenges international students face while studying in the UK. The final section addressed issues relating to what the university could do to continue a rapport with the international students once they had graduated. The results have been tabulated in ascending order of priority and displayed in Table 2.

Stage 1: Attracting International students to study in the UK

There are number of reasons why international students decide to select the UK as a destination to pursue higher education. The main influences can be divided into two themes, firstly attraction of the course, entry requirements, university ranking, scholarships, recognition of the course by employers, university facilities, university ranking. The second theme is based on social factors such as the city, job prospects UK culture, cost of living and influences by friends and family (see figure 4)

Effective University Marketing

The three most effective sources of promotion for a university are its homepage, word of mouth from previous and current students and local agents working in the market. Although, to ensure that the university ensure maximum exposure of its brand then other sources such as local media, linking with local colleges, online ads and local presentations by international officers also need to be included in the marketing communications campaign.

Stage 2: During their stay in the UK

Many international students would like the university to offer career guidance services to them during their academic stay in the UK. Additional services, in terms of language workshops, preparing for assignments, lectures, etc, were very much favoured by international students. The theme of practical application of theory is a recurring theme of concern by the international students. Finally many international students felt isolated and very much wished to have the opportunity to attend regular social events organized by the course or the international office.

Preferred Teaching methods by international students

There is still a very high preference for the delivery of a traditional PowerPoint slide presentation by academic tutors that could be enhanced by the inclusion of multimedia. Although, international students also indicated

their preference for practical based activities through case studies and other problem based activities. Finally, to enrich and ensure that students are given the opportunity to appreciate how theory is applied in industry guest lecture's should be given by invited specialists.

Table 2: International Student Experience of Higher Education in the UK

Stage 1	Why I/S choose to study in the UK	
	Academic Factors	Course
		Entry requirements
		University Ranking
		University Facilities
		International Recognition of degree
		Scholarships
		Tuition Fees
	Social Influences	City
		Job prospects
		Safety of UK
		Cost of Living
		Recommendation from Friends/family
		Rapport developed with recruitment officer
		Easy to get a Visa
	Effective University Marketing	
	Mediums of Promotion	University Website
		Recommendations from Friends/Family
		Local Agent
		Local Newspapers
		Promotion in Partner Colleges
		University prospectus
		Presentation by recruitment officers
		Online ads
		British Council
Stage 2	Adjusting to UK	
	Support I/S would find helpful	Career Guidance
		Workshops for International students (guidance on UK learning sytems and assessment support)
		Organistion of social events
	Preferred Teaching Method	Traditional Powerpoint
		Case Studies
		Multi-media presentation
		Computer exercises
		Lecturers by Guest speakers
		Problem solving activities
		Group activities
		Student presentations
	Academic problems experienced by I/S	Language barriers
		Adapting to a new learning system
		Lack of extra lecture material
	Improving Lectures	More one-to-one mentoring
		More detailed handouts
		Tutors speak clearly
		More interactivity in lectures
		More practical activities
		Use of more simplified terms / words
Stage 3	Keeping in touch with Alumni	Offer assistance in gaining employment
		Send E-newsletters
		Arrange annual alumni events

Academic problems experienced by international students

There are a number of problems that international students voiced as being a major challenge to their academic success, firstly the difficulty in understanding the regional accents of tutors, secondly adapting to a new style of learning in terms of engagement, assessment and writing style, thirdly not receiving adequate support material or guidance from tutors and finally struggling to appreciate how university administration systems work.

Improving the learning experience for international students

The suggestions for improving the learning experience, in terms of lectures, international students want tutors to enunciate their words and adopt a language that is much simpler to understand, the lecture notes need to be supplemented with more detailed sources of information and finally tutors need to engage international students in the lecture either through practical based activities or group based tasks.

Stage 3: Departure

Quite often when international students graduate, from the university, this is often the last contact the university has with these students. Although, many astute universities are now capitalizing on their alumni to promote the university and its courses in overseas markets. The international students were in agreement that the university could do more to help with securing employment after graduation. International students suggested that the university, to ensure it maintained contact with its alumni, send regular e-newsletters and arrange annual social events.

Discussion

This research has highlighted a number of challenges that international students face when studying and living in the UK. These issues can be addressed during the overseas marketing of

the university to help international students better prepare for the educational experience in the UK.

Universities need to take advantage of international agents operating abroad, making sure these individuals are trained in the values, courses and support the university offers international students. This approach seems to be risk averse than purely relying on exhibition fairs and university prospectus sent to agents. Additionally it is important that the university take advantage of its website to inform, engage and convince international students to select the university as their primary choice. Universities need to take advantage of the digital media such as blogs, vlogs, student wikis, and student testimonials on their websites to promote their courses.

International students have shown a preference for a much more engaging lecture and secondary research clearly highlights the rising popularity of non-traditional academic traits to enhance the learning experience for students. Students in this sample clearly showed a preference for tutor support and the application of a variety of pedagogical techniques to engage students as far more important to the educational experience. We could speculate that the reasons why these characteristics are important for the students lie in the following:

Students now see themselves as customers as they are having to pay a tuition fee, and are requiring much higher standards of service from their tutors;

Most of today's 'igeneration' students have been raised on visually stimulating consumer electronics and at ease with visually stimulating animated material;

The rise of social networking and digital communication makes the students ideal candidates for supplementary electronic material.

It is vital that universities build relationships with alumni, overseas partners to generate positive publicity and ensure future loyalty (providing the services always remain competitive).

Recommendations

Proactive universities, that wish to continue to attract international students, will need to reflect upon whether

Their curriculum prepares students for a global career?

They have achieved a high level of integration and cooperation between UK and international students?

How satisfied international students are with their UK HE experience?

What strategies are in place to address the current challenges (social and academic) facing international students?

To ensure that universities continue to deliver value to the educational experience to their students will require investment in:

Universities investing in a series of programmes to make their academic staff aware of the

enhanced skills they need to acquire and promote to engage their students;

New metrics to assess tutors that will need to be triangulated through student feedback, internal moderation and external review;

Annual monitoring and review of the pedagogical practices of the university to ensure that there is a consistency in delivery;

Annual monitoring of student views on how tutors can deliver an effective learning experience;

External partners need to be trained and monitored on the changing preferences of delivering an effective lecture.

This research has highlighted many challenges that face international students to ensure that universities address these issues and create an environment that champions internalization not only in the curriculum but the ethos of the institutes. The author has developed a nine stage framework as the primary building block to improving an educational experience for international students and ensuring that the valued experience enhances the brand equity of the university.

	Stages of Internationalisation	Activities
R E F L E C T I O N	9. Alumni Development	E-newsletters; Annual events in host countries; Links with international companies; Identification of new opportunities
	8. Pedagogy with international perspective	International examples; Bespoke Assessment; Multimedia presentations; 1-to-1 mentoring; Active based learning activities
	7. International Student Support Services	Academic mentoring; Arrangement of social events; Assistance in finding employment; Career Advice; Graduate Ceremony; Alumni contact
	6. Induction	Introduction to UK learning styles; Social event; City Tours; Guides to Transport & UK culture
	5. Marketing strategies for recruitment	Unique marketing strategy for awareness, recruitment and development: (academic awards; Courses; ALT; Info Packs; Accommodation; International Student Support)
	4. Database of International activities and student performance	•Student profiling (DB); Promotional effectiveness; Reviewing agent performance; Competitor analysis; New opportunities
	3. Quality Systems	•Preparing for overseas visits; Meeting agents; Meeting new Partners; Presenting to students; Meeting students; Selecting new partners/agents
	2. Investment in international activities to develop partnerships with institutes and Co's.	Investment in all international activities & evaluation of potential partners
	1. Culture committed to Internationalisation	Training international staff & lecturers, annual events, e-newsletters, dedicated website

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RELATIONSHIP BETWEEN INDUSTRY AND CAPITAL STRUCTURE FROM AN ASYMMETRIC INFORMATION PERSPECTIVE

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ABSTRACT

The study is examining whether there is a significant relationship between the capital structure and the industry where the company is active at. If there would be a significant relationship between the industry and the capital structure, and moreover there would be an optimal capital structure - where the firm's value is maximal - in every industry than it would be a guideline for the management and for those who are financing the operation of the company knowing the company's capital structure. Several theories and models have been carried out on the field of capital structure in the last decades. These theories searched the existence of an optimal capital structure and its effect on the firm's value. One of these theories is the asymmetric information theory.

This research examines the relationship between industry and capital structure from this asymmetric information perspective. The study provides clear evidence that there are industries which can be differentiated from other industries from capital structure viewpoint, moreover the study provides the role of information asymmetry of this phenomenon. The conclusion of the study is that it is important to take into account during a financing decision process that in which industry does the company operates.

Keywords: industry, capital structure, leverage, cross table analysis, concentration.

1. Introduction

Companies differ in the way how they finance their operation. The three most important financing opportunities are the retained earnings, to issue bonds (obtain credit) or to issue shares. Capital structure is the combination of these financing sources.

A company's most important motivating factors while issuing any kind of security to finance the operation, can be split into three major groups. The first one is to finance a project (initial financing, reinvestment and expansion associated with new projects). The second one is risk sharing, and the third one is to ensure the liquidity of the company. (Tirole, 2006) When companies make decisions about issuing securities by any reason, it is always a very important aim for them during bringing the financing decision is to find that optimal capital structure that would maximize the value of the firm.

The study will be built up by three parts. In the first part it will summarize the basic concepts of the study, the most important capital structure theories, and in detailed the asymmetric information theory. In the second part it will introduce the researches on the field of the relation of industry and capital structure, and in the last part the study will introduce an empirical research.

2. Basic Concepts

2.1 Capital structure

This study will define capital structure as the ratio of the debt to the sum of the debt plus equity, namely,

$$L = \frac{D}{D + E} = \frac{D}{V} \quad (1)$$

Where,

L: leverage

D: value of debt¹⁰

E: value of equity

V: total value of firm

The reason for defining capital structure this way, is that like this, the capital structure is a ratio, which makes it possible to use it for comparing different companies with each other, since the size effect doesn't appear.

2.2 Industry

The industries were defined according to a Hungarian standard, to the TEÁOR codes, which is compatible with the NACE codes. NACE (Nomenclature générale des activités économiques dans les Communautés

Européennes) is the statistical classification of economic activities in the European Community. So it is an industry classification system, like the SIC (Standard Industrial Classification) in the United States of America. NACE is a 6 digit code, where the first four digits are the first four level of the classification system. This system is the same in all of the European countries. The fifth digit differs from country to country, and further digits are sometimes placed by suppliers of databases.¹¹

3. Capital Structure Theories

Several theories and models have been carried out on the field of capital structure in the last decades. These theories searched the existence of an optimal capital structure and its effect on the firm's value. They were searching for those factors which determine an optimal capital structure. All of the theories have been criticized mainly because they have preconditions which make them unable to adopt to the real world's economy.

The capital structure theories can be divided into three major groups, to the traditional practice, to the Modigliani-Miller propositions (Modigliani-Miller, 1958), and to the modern capital structure theories, such as theories based on agency cost (Jensen-Meckling, 1976), or the pecking order theory (Myers-Majluf, 1984), or the signaling theory (Ross, 1977), etc.

3.1 Modigliani – Miller Propositions

Modigliani and Miller (1958) were the researchers who gave the basics of the capital structure theories. Though they have extended ideas of past researchers, like Williams (1938), Durand (1952) or Allen (1954), their result was very new, although hard to except. What made their result very special, that they give a proof of the propositions – which noone could give before –, and the method they have used was very new

¹⁰ During the empirical research the value of debt will consist the short term and the long term debt as well.

¹¹

http://en.wikipedia.org/wiki/Statistical_Classification_of_Economic_Activities_in_the_European_Community

that time. The basic concept was, and also the first proposition of Modigliani – Miller, that the capital structure makes no difference, namely the value of a firm is independent of how it was financed.¹² They proved the proposition with an arbitrage proof, namely that while the households can borrow or lend on the same interest rates as companies do, it won't make any difference to buy one or the other companies' share from a certain risk class, since they can do any kind of leverage – "home-made leverage" – themselves. So they won't pay more for a company, just because it differs from another one only from the viewpoint of its capital structure.

The second and the third propositions were the consequence of the first one. The second stated, that the expected return of a company's share increases when the leverage is increasing. While the third proposition stated, that a company will accept an investment opportunity, if its return is greater than the expected return of the assets the company already has, and this decision is not effected by that how the company will finance this investment.

From the first day the Modigliani – Miller theorems have been published, countless critics have appeared. The most important problems were, that it was impossible to adopt these theorems to the real world's economy, though theoretically the theorems have been proved in a lot of ways.

Joseph. E. Stiglitz summarized the main critics from the theoretical point of view of Modigliani – Miller theorems in 1969, which were (Stiglitz, 1969, pp.784.):

- it depended on the existence of risk classes,
- the use of risk classes seemed to imply objective rather than subjective probability distributions over the possible outcomes,

¹² Main assumptions of the propositions were: no taxes, no bankruptcy costs, no transaction costs, no information asymmetry, markets are efficient, corporate cash flows are indefinite in time, companies can give loan and borrow on the risk free rate, companies can be split into risk classes.

- it was based on partial equilibrium rather than general equilibrium analysis,
- it was not clear whether the theorem held only for competitive markets,
- except under special circumstances, it was not clear how the possibility of firm bankruptcy affected the validity of the theorem.

In 2005 Stiglitz summarized, the reasons why the theorems cannot be used in the real world, which were the following: The theorems do not take into account that in the real world there are,

- taxes;
- cost of bankruptcy;
- imperfect information.

The modern capital structure theories are based mainly on these critics. The trade – off theory (Kraus – Litzenberger, 1973) is based on the first two critics, while the information asymmetric theories like the theory of agency costs, pecking order, signaling, etc. depend on the imperfect information. This paper would like to analyze the role of information asymmetry in the relation of the industry and capital structure. In case of the trade-off theory, Bradley – Jarrel – Kim (1984) have done an empirical research which have included the role of the industry. Their main findings were:

1. The leverage decreases if the cost of financial distress (bankruptcy) increases, and with the increase of those tax saving factors, which are not defined as debt;
2. Industry has an important role in determining the capital structure;
3. Leverage and the volatility of the revenues are in an inverse relation.

The reason why this paper deals with the information asymmetric theory instead of the trade – off theory, is that the trade – off theory cannot give an explanation why are there

differences between the industries, and why does the most profitable company inside an industry has the smallest leverage. (Wald, 1999)

In sum, this paper would like to emphasize the information asymmetry theory, and its role in the relationship between the industry and capital structure and will try to give an explanation for the differences of capital structure between the industries. The paper highlights industry, since the Modigliani – Miller propositions were based on the risk classes, which were built up by industries in the empirical proof of Modigliani and Miller – though theoretically they have not said unambiguously that companies in the same industry would belong to the same risk class. Separating companies into industries, and say that they belong to the same risk class, is just a rough approximation. In this paper I assume, that industries can be differentiated from the aspect of capital structure, which is against the Modigliani – Miller propositions, since the capital structure inside an industry can vary notably, since capital structure shouldn't matter – according to Modigliani – Miller. I will assume, that this difference between the financing policies of different industries can be the consequence mainly of an information asymmetric problem – of course other reasons can appear as well besides the imperfect information.

3.2 Information asymmetry

The information asymmetric theories can be split into three major groups, the pecking order theory, the signaling models and the managerial risk aversion models.

The pecking order theory says, that when companies bring a financing decision, first they would like to finance the investment internally, than if it is not possible, then they will finance it with debt, and just if the company cannot finance with debt either, than it would issue equity as a last resort.

The signaling model says that the high leverage of a company is a sign for the investors, that the

company is a safe investment, since the high leverage increases the probability of bankruptcy, for which the managers are responsible. So the managers would use a lot of debt for financing the investment, if they know, that the company will operate well, and it will be able to earn the sufficient amount of cash-flow.

The managerial risk aversion model says, that managers are risk averse. While the leverage is increasing, the risk of the equity is increasing as well, which leads to the decrease of the well-being of the managers. This decrease can differ from firm to firm, which is being influenced by the quality of the operation. So the managers can show to the investors, the better quality of the company with higher leverage.

In case of a company we can talk about information asymmetry from two viewpoints. There can be asymmetric information between the managers and the owners (stockholders) and also between the managers and the debtors (bond holders).

These participants of the market have asymmetric information of the following according to Tirole (2006):

- value of the company's assets;
- opportunities in new projects;
- quality and value of collateral
- own interest, and profit of issuer;
- any other factor, that can have an effect on the profitability of the investment.

Some studies have been published that have tested the empirical evidence of the asymmetric information. They have found the following:

- prices of shares decrease when new shares are being issued, which can be the consequence that the investors think that the assets of the company are overvalued. (Asquith – Mullins, 1986) This increase should be greater in cases when the information asymmetry is higher (Dierkens, 1991; D'Mello – Ferris, 2000; Eckbo,

1986; Shyam – Sunder, 1991) It was found as well that during booms this price decrease is not as notable as during recessions.

- pecking order theory (Myers – Majluf, 1984)

- market timing: to issue equity is more common when the economy as whole is booming.

4. Researches on the Relationship of the Industry and the Capital Structure

Though it is widely said that the industry has a great influence of a company's capital structure, it couldn't be empirically proved yet. Empirical researches were made for example by Remmers, Stonehill, Wright and Beekhussen (1974). They have pointed out that inside an industry the standard deviation of the capital structure is very notable. Later Chaplinsky (1983) publicized that the industry describes small of the standard deviation of the capital structures. Then Bradley, Jarrell and Kim (1984) had the result that the industries are important, but if we take out those industries which are under state regulations, the industry just explains 10,1% of the capital structure.

Based on the work of Maksimovic and Zechner (1991), MacKay and Phillips (2002) had made a study, where they have extended their research to the companies' maturity. MacKay and Phillips tried to answer the question, what is the role of the industry during developing the capital structure, and how does firm's assets and liabilities affect each other. Their result was that though it cannot be said that there is an optimal capital structure in each industry, those companies which differ in point of technology from the industry average, will operate with higher leverage. Moreover there is a positive relation between the change in the capital structure and risk as well.

Those companies which are entrants in an industry even though they are smaller and riskier than other members of the industry do not use less credit. The authors have verified that the entrants and the market players are both operating profitably, though after entering the

market, the profitability falls back notably. While those companies which are leaving the market are using higher leverage, and are more capital intensive than the industry average, also during the exit and before exiting the market.

They have also pointed out that industry and group factors beyond standard industry fixed effects are also important to firm financial structure. Limited industry-mean reversion occurs as firms mostly remain in their industry groups – both in real and financial dimensions. (MacKay-Phillips, 2002, pp.3)

5. Empirical Research

5.1 Source of Data

The research contains data of 1.622 Hungarian corporations and medium sized firms, from 49 industries. The data were collected by Ecostat in 2003. The paper studies the year 2003 since it wanted to avoid the effect of the financial crisis of 2007-2008.

The database have been cleaned in order to be able to use it for the analysis, namely those industries have stayed in the analysis, which had at least 25 companies in the database. So finally, the research was based on 1503 companies, and 28 industries – some of the very similar industries have been contracted in order to reach the minimum 25 number.

5.2 Results of the Crosstable Analysis

The basic question of the research was that is there a significant relationship between the industry and the capital structure. It was examined by cross table analysis, and by concentration analysis.¹³

¹³ For detailed information about the cross table analysis can be found at the following book: Sajtos, László, and Mitev, Ariel 2007: SPSS kutatási és adatelemzési kézikönyv, Alinea Kiadó, Budapest.

The two variables used during the analysis were the industry, and the leverage. The variables had to be changed before the analysis to be able to use the cross table, since the leverage is measured on a metrical ratio scale, which had to be converted to a non-metrical nominal scale by splitting the data into 16 groups. The following chart shows the formed groups:

Table 1:

	Lower barrier	Upper barrier	Number of firms
1.group	0%	15,35%	24
2.group	15,36%	23,00%	40
3.group	23,01%	30,41%	65
4.group	30,42%	36,20%	81
5.group	36,21%	41,67%	98
6.group	41,68%	46,64%	113
7.group	46,65%	52,12%	171
8.group	52,13%	58,37%	186
9.group	58,38%	64,56%	187
10.group	64,57%	69,80%	170
11.group	69,81%	74,25%	130
12.group	74,26%	78,77%	113
13.group	78,78%	83,41%	98
14.group	83,49%	87,48%	64
15.group	87,51%	93,95%	57
16.group	93,96%	100,00%	25

Table 1: the 16 groups into the corporations were split

The firms were formed into the 16 groups order to achieve that the groups of the companies' leverage will be normally distributed, as it can be seen in the following chart.

Figure 1.:

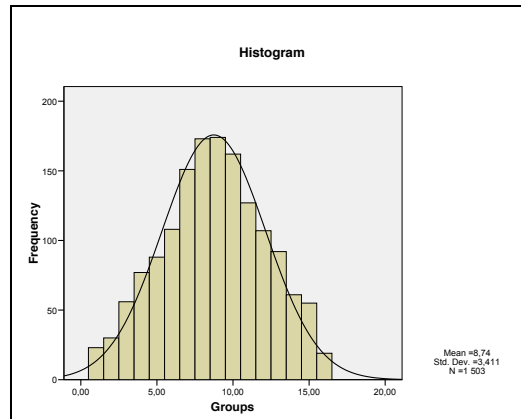


Figure 1: 16 groups of the companies, based on their capital structure

After splitting the database into 16 groups, the cross table analysis could have been done. With the Chi-Square Test (χ^2) it was examined, whether there is a significant relationship

between the variables. (Kovács, 2006) The nullhypothesis of the Chi-Square Test, that there isn't a significant relationship. The following table shows the result of the test:

Table 2.:

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	588,431	300	,000
Likelihood Ratio	590,612	300	,000
N of Valid Cases	1503		

Table 2: Chi-Square test

The table shows that on every significance level we refuse the nullhypothesis that there isn't a significant relationship between the industry and the leverage.

The power of the relationship was examined as well, with the contingency coefficient. The contingency coefficient is a symmetric measure

which can be used during the Chi-Square Test as well. (Sajtos-Mitev, 2007) The result of the contingency coefficient can be found in the following table:

Table 3.:

		Value	Approx. Sig.
Nominal by Nominal	Phi	,626	,000
	Cramer's V	,162	,000
	Contingency Coefficient	,530	,000
N of Valid Cases		1503	

Table 3: Symmetric Measures

The result shows, that the relationship between the two variables is moderately strong. This result means, that it cannot be said about every industry that there would be a level of leverage which would be representative.

Since the relationship is moderately strong, the database need to be made further examinations, and show which industry has a leverage that is representative for the industry, and which doesn't. According to this, the cross table, which was the output of the SPSS, have been copied to a Microsoft Excel file, and a concentration analysis had been made.

5.3 Results of the Concentration Analysis

Concentration refers when a notable portion of the whole population is being focused to a certain unit. (Hunyadi-Vita, 2003)

The concentration of the database has been examined with the Lorenz curve, and the Gini coefficient. These indicators can be used to measure relative concentration. The Lorenz curve and the Gini coefficient are two related statistical expressions.

The following figure shows the Lorenz curve. On the figure can be seen a straight line, which shows how the Lorenz curve would look like, if there wouldn't be any concentration. Namely in the case if there would be nearly the same number of corporations in each of the 16 groups. The greater the distance between the straight line and the Lorenz curve, the concentration is the greater as well.

Figure 2.:

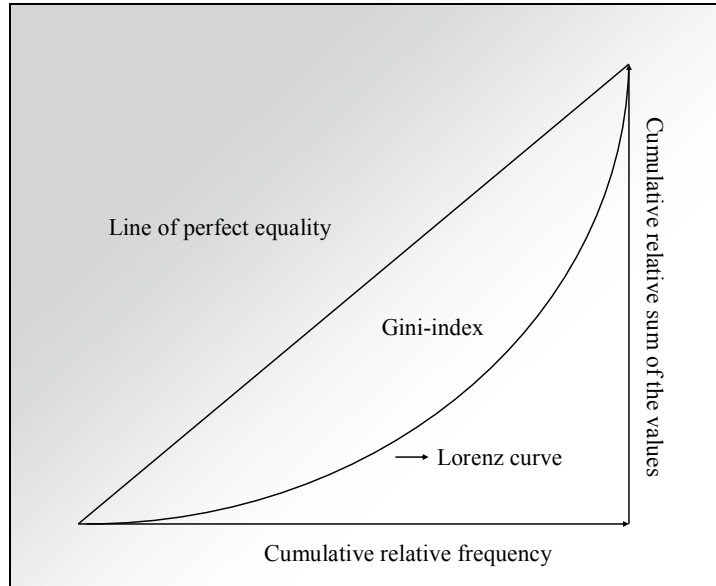


Figure 2: Lorenz curve

Gini-coefficient can be determined as the quotient of the area underneath and above the Lorenz curve. In case the Lorenz curve would be described as following $Y=L(X)$, then the Gini coefficient (G) would have been calculated according to the next equation:

$$G = \frac{1}{n} \left(n+1 - 2 \frac{\sum_{i=1}^n (n+1-i)y_i}{\sum_{i=1}^n y_i} \right) \tag{3}$$

$$G = 1 - 2 \int_0^1 L(X) dX \tag{2}$$

Where “G” is the Gini coefficient, “n” is the number of units and “y_i” is the cumulated frequency in a certain unit.

In a few cases the equation of the Gini coefficient can be calculated without determining the Lorenz curve. In this case the equation would be the following:

The Gini coefficient for each of the analyzed industries has been determined based on the equation (3). The following table shows the Gini coefficients of the examined industries:

Table 4:

Industry	GINI coefficient
Stone, Clay, Glass, and Concrete Products	24,87%
Chemicals production	29,07%
Electric, Gas and Sanitary Services	29,15%
Textile production	29,22%
Road vehicle manufacture	30,39%
Agricultural production	30,42%
Industrial and Commercial Machinery and Computer Equipment	32,50%
Business Services	35,35%
Lumber and Wood Products, Except Furniture, Paper and Allied Products, Printing and Publishing	35,41%
Transportation Services	35,67%
Production of machinery	37,24%
Real Estate	37,87%
Fabricated Metal Prdcts, Except Machinery & Transport Eqpmnt	38,44%
Rubber and Miscellaneous Plastic Products	38,57%
Railroad transportation, Motor Freight Transportation, Local, Suburban Transit & Interurbn Hgwy Passenger Transport	39,15%
Computer services	39,17%
Production of Food and Bevereges	39,19%
Retail	39,38%
Wholesale	46,41%
Building Construction	46,95%
Automotive Dealers and Gasoline Service Stations	50,79%

Table 4: GINI coefficient of the analyzed industries

5.4 Main Results

The value of the Gini coefficient can be between one and zero. If it is one, it means that the capital structure of a certain company is concentrated

only to one group of the leverages, while if it is zero, than it means, that there isn't any concentration in that industry. In table 4 we can see, that the Gini coefficients are between 0,25 and 0,51. Though there isn't a rule of thumb in

determining that what the value of Gini coefficient should be in order to be able to tell that there is concentration, but I think, that in those industries, where it is around 0,5, there can be a capital structure which would be representative for the whole industry.

A main result of the cross table analysis, and of the concentration analysis, that there is a significant relationship between the industry and the capital structure. Moreover in those industries where the information asymmetry about the value of the assets of the company is smaller – because it has notable amount of tangible assets, which decreases the information asymmetry between the investors and the company – there exists a representative capital structure. This is the case of the Automotive Dealers and Gasoline Service Stations industry, where the Gini coefficient was the highest, or in case of the Building industry, which is the second in the row. In my future researches I would like to analyze why are there some industries, which have notable amount of tangible assets, but not having a capital structure that would be representative for the whole industry. Maybe the capital structure doesn't really matter in the real world either, not just in the Modigliani – Miller world? This is the case in the Stone, Clay, Glass and Concrete Production or the Chemicals Production industries. Also there are many other cases, where there isn't a representative capital structure in the industry, which would prove Modigliani – Miller's viewpoint, that the capital structure doesn't matter. But it needs further researches in the future.

In sum the results shows that which are those industries which have a typical capital structure on the Hungarian market, and which do not. This result means that it is worth to make further researches on the relationship of these two factors, and their effect on a firm's value.

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THE ROLE OF PUBLIC RELATIONS IN THE GROWTH OF SUSTAINABLE CONSUMERISM

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ABSTRACT:

Within the trend of growth of sustainable business and corporate responsibility, sustainable consumerism has doubled or tripled in some developed European countries and in U.S. in the last ten years. Since in ethical consumerism, not only fresh rules of marketing are considered, but, also, the crucial role of corporate communications as business function is widely acknowledged, the purpose of this paper is to debate the role of public relations function, particularly in consumer goods companies, in the development of sustainable consumerism. In a desk research of the role of public relations function in the corporate responsibility context, some basic public relations theories are used to clarify the importance of communication in addressing the needs of ethical consumers, and particularly the importance of communication or public relations corporate function in this context. A conclusion is drawn regarding the role of public relations function in the growth of sustainable consumption in general.

Key words: sustainable business, public relations, sustainable consumption, corporate responsibility, sustainable consumerism

INTRODUCTION

In 2011 hardly anyone relevant in the business, needs additional convincing about the crucial importance of corporate social responsibility implementation, or, rather, "embedding" it in the mainstream business, both on strategic and operational levels. If for no other reason then because it is simply politically incorrect to doubt the central position of the concept of sustainable business and "sustainability" (the term CSR is no more the first semantic choice). The Corporate Social Responsibility or Sustainability movement

(because, in fact, it could be debated that it is a movement) has grown in ambitions and power within the business as one of the main strings of corporate communications umbrella in 21 century, and is seriously taken into account in strategic planning. In that context, business ties with various social partners matter a lot. Since the 1990s, partnerships between business and civil society organisations (CSOs) have become commonplace (Schiller, 2005). Through dialogue, CSOs and businesses are moving from confrontation and limited corporate philanthropy to finding new ways of influencing each other (Holliday et. al., 2002). According to Prickett "Now both organizations seek to solve an environmental problem associated with the company's core business without waiting for a government mandate" (Prickett, 2003.).

Why do businesses do it? Is it the external social pressure, the green wash, the reputation, the pressure of the demand for constant growth? To go a step further and paraphrase Charles Handy's question, what is the business for? Is it simply that business needs to make money in order to do good as Handy seems to think (Handy,2003) and partnership had proved to be an efficient way to serve this goal? Each business on its way through partnership building faces all of these and many other questions. The two most common reasons that CEOs of companies involved in partnerships gave in The 2004 Global Corporate Citizenship Initiative survey as reported in Partnering for Success by the World Economic Forum (2005) were: committing to the company's own values, principles, policies and traditions; and protecting corporate reputation and brand. In addition, the CEOs who support the Global Corporate Citizenship Initiative stressed that successful stakeholder relations help leverage resources and networks of business operations and thus enable businesses to be more effective in their social and environmental impact. (Tafra, 2010)

No, doubt, any idea, and therefore, any conceptual construct, and sustainability is primarily a conceptual construct, needs to grow on a fertile soil of a long term perspectives. Outside academic conferences and committed book titles, in the halls of mighty businesses, the CEO will always ask: Where is my ROIC? or, more simply: Does it pay off? (Or maybe: If it does let's do it, if it doesn't, let's spin it!)

2. ETHICAL CONSUMER NEEDS

As the position of green and socially acceptable products depends primarily on the message and its impact on the consumer, the twenty new rules of green marketing might present a viable framework for consideration of the state of sustainability and ethical consumerism. The rules are (Ottman, 2011): Green is mainstream; Green is cool; Greener products work equally or better – and are often worth a premium price; Green inspires innovative products and services that can result in better consumer value, enhanced brands and a stronger company; Values guide consumer purchasing. Historically, consumers bought solely on price, performance and convenience. A life cycle approach is necessary.; Manufacturer and retailer reputation count now more than ever.; Save me! Today's consumers buy greener brands to help protect their health, save money or because they simply work better.; Businesses are their philosophies.; Sustainability represents an important need, and is now an integral aspect of product quality.; The greenest products represent new concepts with business models with significantly less impact.; Consumers do not necessarily need to own products; services can meet their needs, perhaps even better.; The brands consumers buy and trust today educate and engage them in meaningful conversation through a variety of media, especially via websites and online social networks.; Green consumers are strongly influenced by the recommendations of friends and family, and trusted third parties.; Green consumers trust brands that tell it all; Green consumers don't expect perfection; Environmentalists are no longer the enemy; Nearly everyone is a corporate stakeholder. Authenticity. Brands viewed the most genuine

integrate relevant sustainability benefits into their products. Keep it simple.

Today's consumers are cutting out the needless purchases.

The freshly publicised edition advocating the use of these rules in marketing practices, particularly sustainable branding, has, led by a research based on interviews with over 4,000 U.S. adults and entitled *The Lohas Report: Consumers and Sustainability*, segmented green consumer population into five key groups. The biggest groups, the drifters, 25% percent of total U.S. population (or 57 million consumers), are driven by trends rather than by deeply held beliefs. Being partially aware of the effects of their action on the environment and as they earn a moderate income, they are considered to represent an attractive segment for green marketers. The conventionals are the second biggest group with 24% at the market and they choose green for practical reasons. They are retired more than other groups and if they reuse or recycle it is to save money, not the environment.

LOHAS (Lifestyles and Health and Sustainability) that gave the name to the LOHAS Index introduced in 2007 by the Natural Market Institute and to subsequent LOHAS reports, are the most environmentally aware and holistically oriented and they are also most active of all consumers. They are more loyal to companies that share their value, taking into consideration that they represent 19% of all US adults, and all 71% of them would boycott a brand or a company that has practices they do not like. They do not trust paid media and consult inherent and social network for buying decisions.

Naturalities, representing 15% or 34 million consumers who aim to achieve healthy life style, buy into mind-body phrases, but generally want to learn more about and become more active in environmental protection. Finally, there are The Unconcerned, 70% or 39 million consumers who demonstrate the least environmental responsibility. Only quarter of those would boycott brands made by manufacturers they do not approve of.

UK figures show similar trends of ethical consumerism growth. Thus, in ten years, 1999-2008, spending on ethical food and drink has

increased more than threefold from £ 1,9 billion to over £ 6 billion in 2008. Fair-trade, organic, free trade and dolphin-friendly products have already been there in 1999. but not widely available, but during the past decade new certification schemes have emerged which expanded the availability of ethical food and drink. (The Cooperative Bank 2008). Green home expenditures had increased fivefold in the decade and spending on eco travel and transport full nine fold, although it still remains small portion of total ethical expenditures in UK. Expenditure of ethical personal products has increased from £653 million to £ 1, 8 billion, particularly, spending on organic, Fairtrade and recycled clothes has also increased rapidly.

A number of other studies confirm the trend that consumers want socially responsible brands. Thus, more than 75 percent of consumers say that corporate social responsibility is important, and 55 percent of them found that socially responsibility is a differentiator among brands and are more likely to choose a product tied to a certain cause when all other factors (price, size) were similar. In this Corporate Social Responsibility Perception Survey released in 2010, second in a row, by the research based consultancy Penn Schoen Berland and by Burson-Marsteller which analysed consumer views across 14 industries, social responsibility remains a high priority for consumers, regardless of the recession. Consumers think that companies most often come up short in the sectors where they believe responsible behaviours is most important.(Consumers Continue to prioritize Social responsibility Across Business Sectors, Despite Recession., Burson-Marsteller, 2010). One of the recommendation of the study is that companies need to combine strong social responsibility programmes with effective communication of what they are doing...

The concerned consumers, those that care, 57% of those in US market who say they are likely to trust a company that it is environmentally considerate, and 60 % of them who claim they are likely to purchase such products (Ottmann, 2011), are all out there in search of information about the company and about the product. Sustainable products and brands are thus marketed with communication that conveys educational and social messages which aim to

empower people with social values. In fact, consumers so much appreciate some sustainable brands in the context of social and environmental awareness that they do not appreciate them advertised but rely solely on the word of mouth. Such conclusion totally changes not only the rules of marketing of these products but also adds additional value to communication of the company to various audiences. This builds upon two major theories: the stakeholder theory and situational theory of publics. In a way, it could be argued that corporate social responsibility movement has put additional weapon into the hands of the company public relations function.

2. RELATED THEORIES

Consumers are always at the top of the list of a company stakeholders because they want to buy from companies who share their views and values. In the case of ethical consumerism this is particularly relevant and leads back to stakeholder theory approach. Stakeholder theory does not necessarily imply treating all groups (or individuals) as equals. Consequently different ways of comparing and prioritising stakeholders had been proposed. Freeman and Reed (1983) differentiate: a) narrow definition stakeholders – comprising all groups/individuals that are crucial to the survival of the organisation and; b) wide definition stakeholders – only those who can affect or are affected by the organisation. They believe that narrow definition stakeholders should receive equitable treatment based on a doctrine of fair contracts. Their ideas are based on the Kantian moral philosophy of treating people as ends in themselves and recognise legal rights and moral obligations.

Johnson & Scholes (2001) proposed a stakeholder mapping tool to determine priorities which, despite a number of similar or different instruments, remains one the most practical tools to assess the importance and impact of stakeholders on an organisation. They consider two important issues: how interested the stakeholder group is in pressuring its expectations on the organisation, and whether they have the power (means) to do so. This tool

classifies stakeholders in terms of the power they hold and how likely they are to show interest in supporting or opposing particular actions which enables the organisation to determine appropriate communications with each group. Similarly, organisations may consider how the level of interest and/or power of groups will increase or decrease under certain conditions or as a result of proposed strategies.

Johnson & Scholes state that stakeholder mapping is useful in understanding who are likely to be key blockers or facilitators of a strategy and suitable responses; whether certain stakeholders should be “repositioned” to lessen their influence or seek additional champions for a particular strategy, and the extent to which levels of interest (or power) may need to be maintained or altered. (CIPR, Stakeholder Strategy, 2002). In consideration of five groups of green consumers, only the “Unconcerned” would not fall into the category of high interest – high power where LOHAS, Naturalities, Conventionals and Drifters should be placed. That makes them key players in company stakeholder relations and corporate communication, that is, green and socially aware consumers have power that should not be underestimated.

Several authors argue for a distinction between stakeholders and publics. Their view is that stakeholders are largely passive, but publics are stakeholders who are aware or active in relation to an organization. Dewey (1927, cited in Grunig & Hunt, 1984) said publics emerge when groups of people who face a similar problem, recognise its existence and organise to resolve the problem. In the 1940s, Herbert Blumer defined publics as homogenous groups (i.e. with something in common). (He also argued that polls of “public opinion” were actually measures of “mass opinion”, with the mass being a heterogeneous group that happened to read the same publication or live in the same city.) Blumer said a public is a group of people who are confronted by an issue, are divided in their ideas as to how to meet the issue and engage in discussion over the issue. Grunig & Hunt (1984) used Dewey’s work to identify four groups differing in the extent to which they move from detecting a problem to taking action to respond to it: a) Non-public – are not affected by the problem and will take no action against the

organization; b) Latent public – face a common problem as a consequence of the organization, but do not recognize it, c) Aware public – face and recognize the problem; Active public – face, recognize and organize to discuss and do something about the problem. In 1992, Grunig & Repper summarised their view that: “publics organize around issues and seek out organizations that create those issues – to gain information, seek redress of grievances, pressure the organizations, or ask governments to regulate them.”. There is an evident overlap between Grunig’s types of public and the Natural Marketing Institute green consumers segmentation.

By recognising which category people fall into, Grunig suggests that PR managers can develop an appropriate strategy for each public. The organisation should consider whether to address problems facing latent publics rather than wait until they are aware or active. If the organisation does not communicate with publics when they are aware of a problem, they will actively seek information from other sources that are unlikely to represent the organisation’s point of view. It is much more difficult to communicate with an active public who have made their decision and taken action. They are mostly interested in information that supports their viewpoint and are now skeptical of any communications from the organisation.

In the late 1970s, Grunig developed a situational theory to explain when and how people communicate and when communications aimed at publics would be most effective. Problem recognition – when people detect a problem and that something needs to be done about it. This is the time when they do most of their communicating as they are seeking information to help solve the problem that they have identified. Actively communicating publics try to understand information (so are most likely to be come aware) and use it to plan their behaviour. Other people may adopt a “passive communication behaviour” and only process information that comes to them randomly. Generally, people put more effort into understanding information they actively seek rather than passively process. People who simply process information generally remain as latent publics. Similarly, people who recognise a

problem are more likely to process information they receive than people not recognising the problem.; Constraint recognition – this represents the extent to which people perceive obstacles limiting their ability to plan a solution. If they think there is little they can do, they are unlikely to take action. They also tend not to pay attention to information they receive or actively seek information.; Level of involvement – this variable considers the extent to which people feel connected with the issue and distinguishes whether they will be active or passive in their behavioural response. If someone feels involved in a situation they will be likely to actively seek information that they need to plan their behaviour. An involved public is most likely to be an active one and will seek and process information to use to develop ideas, attitudes and behaviour. These people generally remove constraints by organising with others – becoming members of an active public. Sometimes someone may have processed information, but only decide to take action when they become personally involved (e.g. on becoming a parent, issues regarding marketing to children will become more relevant). ; Grunig advises that these three variables can be measured through simply research techniques. Grunig and Repper (1992), then proposed a strategic approach to managing public relations.

Public relations anticipate issues and manage the organisation's reaction to them. Groups may be formed pro-actively (reacting to own needs) or reactively (responding to a problem or issue). By studying a wide range of issues, Grunig identified a regular pattern of publics: All issue publics – some people (high involvement, problem-facing) challenge organizations on many different issues; Apathetic – these people (low involvement, fatalistic behavior) do not feel involved or recognize problems, so present little problem to organizations.; Hot issue – people are apathetic about most issues, but are likely to get involved if the issue is high on the current public agenda or is one in which they are personally highly involved (e.g. salary negotiations); Single issue – feel strongly about a particular issue and are highly active in seeking solutions to this problem. They will be latent on other issues.

Apathetic publics correspond with Unconcerned and Conventional, while all issue publics are

definitely LOHAS. In the research on their regular activities, it turns out that they are regular over 80 percent in a number of activities that define them as a separate distinct public to the company communication, To put it simply, if a company wants LOHAS to buy its products it needs to communicate a number of authentic messages about its socially and environmentally responsible behaviors.

Finally, as public ethical consumers, LOHAS in particular can turn into activists. Larissa Grunig (1992) defined activists as organised groups (or two or more people) who use communications to achieve their goals – which could be political, economic or social. Active publics put pressure on PR managers and some authors (according to Smith and Ferguson in Heath, 2001) suggest this provides public relations with legitimacy and greater utilisation within organisations. Most significantly, the growth in activism shows that activists are drawn from across society – not an isolated minority. Consequently, public relations managers cannot afford to ignore their impact. Activists generally pursue two overall goals. The first is to rectify the conditions identified by the activist publics. The second is to maintain the organization established to pursue the activists' purposes.(Heath, 2001). To achieve the first goal activists need to draw attention to the problem, position themselves as legitimate advocates and successfully argue for their preferred solution to the problem. The second goal recognises the long-term, ongoing activities of many activist groups. They are increasingly facing a competitive market where they need to attract and motivate members to their particular cause or position. This "survival" consumes resources (time and money). Sometimes, groups will work together (or even merge) to better fight a particular issue. At other times, groups splinter as different elements refine their objectives within the cause. In this way, there are often moderate and more extreme groups working around any particular issue. Groups must also strive to keep their particular problem high on the public (or media) agenda and frequently undertake "press agency" activities that generate publicity for their cause.(CIPR graduate study materials)

3. CSR AND ETHICAL CONSUMER

One of the main questions related to sustainability is whether it adds value to the business. The growing number of titles speak in favour of the conclusion that there is a link between the profitability of a company and its pursuit of social goals. One could, however, agree with three modern gurus of sustainable development, C.O. Holliday, S. Schmidheiny and P. Wats (2002) in "the most important book on corporate responsibility yet published" (*Walking the Talk*) who warn that, so far, no study could "prove" that pursuing responsibility makes companies more profitable: there are too many variables to trace, and, it is difficult to prove which was first: did a company become profitable and could then afford to be responsible, or the other way around?

The effect on reputation, on the other hand, seems to be beyond the dispute. The three authors draw the attention to the research by *SustainAbility* showing that the impact of corporate social responsibility on shareholder value was neutral, at worst, and in some instances has been shown to add considerable value. (*SustainAbility/UNEP 2001*). Since the shareholder value is driven by brand value and reputation, the "intangible assets", they conclude that the impact on shareholders value is beyond doubt and probably, long-term.

That the ethical stories sell, is also illustrated by sharp raise of Cause Related Marketing (CRM). Business evidently realises the need to nourish just, trustworthy and equal relationships with consumers. The shift in consumer preferences is significantly illustrated in a drawing "Antropomorphy in Branding" printed in *Brand Spirit* by Pringle & Thompson (1999)*. They show that nowadays consumer requirements go beyond the practical issues of product performance and even the more emotional aspects of brand personality. Consumers ask questions about ethical performance. The relationship between business and NGOs in

CRM is based on equality. Pringle and Thomson claim that consumers are looking for new sorts of brand values while moving towards the top of Maslow's Hierarchy of Needs and seeking "self-realisation."

Key success factors of CRM, according to them, are shared "territory" between the brand and the cause, simple mechanism, motivating consumer involvement, top management commitment, an open and mutually beneficial relationship with the NGO, volunteering by the employees, engagement of suppliers and strategic partners, significant advertising and communications budget, creativity and synergy between CRM campaign and other brand advertising, celebrity endorsement and PR events, depth of commitment and measurable results. Unlike charity promotion which is a quick fix, by nature – tactical, CRM, as the whole company CSR policy, is long-term, strategic, vision based.

No doubt, only companies with true social vision succeed in creating long term trust in local community through local programs. Not many titles in current literature on CSR, though, develop in details the idea of company social vision.

Consulting main PR theory titles would, in this context, select a stakeholder-oriented strategy as a precondition of any social vision of a company and its social policy. Additionally, the communication with the local community would need to be based on Grunig Model of Excellence, which means that both sides in the communication process would need to be ready to adapt their initial positions in order to reach a win-win zone.

When planning communication strategies, global companies should, as indicated in the literature, be matching a global approach to national cultural differences and local values in community relations as part of public relations strategy.

In their powerful corporate umbrella text titled by metaphor (*Raising the Corporate Umbrella, 2001*), Kitchen and Schultz list eight key features of corporate umbrella in 21 century: interactivity, process, global, intangible, customer value, alliances and affiliations, leading with communications and corporate brand. Global, as

they imply it, means open way to the innovative methodologies. – The established communication system - claim the authors - must give way to ones that not only span the globe but allow the manager to drill down into local situations as needed or required.

This short literature research aimed to illustrate the relevance of the context framed by the stakeholder theory and theory on publics on one hand and the relevant theories on corporate responsibility and ethics on the other for attributing appropriate importance of communication and a process and particularly of corporate communication as a function in every business endeavour aiming to seduce, inspire and empower the contemporary ethical consumers. In short, it cannot be done by green wash or any other wash, it can only be done by transparent and honest communication that targets them as a public and as a powerful stakeholder rather than a future consumer.

6. Conclusion

One of the crucial questions of sustainability is whether the consumers are willing to pay for it, and how does this consumer need or willingness to pay interact with the overall sustainability reputation of the company. In other words it might boil down to an issue of the relationship of corporate communication or public relations management function, sustainable practices and ethical consumerism.

Taking into consideration that LOHAS (one of the big groups of ethical consumers a segmented by The Natural Marketing Institute) are not only consumer segment but also a public that is extremely active on its interests on sustainability, from community activities to lobbying and media exposure, the implications of Grunig theory on publics in the context of ethical consumerism are universal, particularly because they as a group, and also the Naturalities, seek to process information and that information does not come in the form of marketing communication, on the contrary, they process floating information that reveals company's values and the level of embedding of environmental and social criteria in the business strategy and operation. .

Through environmental scanning, public relations should identify the consequences of the organisation's behaviour on stakeholders. Ongoing communications will help build stable, long-term relationships that help manage conflicts that may occur.

Public relations should segment and identify publics who face or recognise the consequences of a sustainability related problem. Through focus groups, likely responses can be predicted. Communications involving publics in decision processes can help manage conflicts at this stage and plan communication targeting various segments of ethical consumers.

Ethical consumers are most important stakeholders and a very active public of each organisation delivering products or services to the market and as such become primary objective of engagement of public affairs and communication functions in a company. In the area of recruiting future consumers and ensuring consumer loyalty which is the area of strategic and operational decisions, and budgetary attributions far beyond the corporate function previously known as "marketing public relation", therefore, corporate communication functions has nothing less but the leading role to play..

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STRATEGIC BRAND MANAGEMENT OF THE MONTENEGRIN TOURISM

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In the current business environment, demand for specific value will continuously increase and become an imperative for consumers worldwide. One of the methods for adding specific value to the product/service/organization is brand-making. Economic and social development significantly change due to the structure of activities i.e. the structure of activities alters formative strength of specific industries. The enhancement of services industry represents a phenomenon characterizing the current business environment. Strict application of marketing principles is expected in the global tourism development and its prospects in the forthcoming period. This is also expected in tourism as increasingly influential economic sector, especially when it comes to its most powerful tool – brand. Specifically the Montenegrin tourist product, services and destinations, traditional and synthetic, impose brand-making as the necessity. Brand-building process for tourist destination “Montenegro” has to be done in line with strategic brand management stages, rules imposed by tourism market segmentation (by target groups) and mixture of significant elements that make the Montenegrin brand. Tourism development has the priority over all other Montenegrin economy industries.

Key words: brand management, origin country, the Montenegrin tourist destination image

Introduction

Montenegrin tourism industry is already in a phase when it is necessary to ensure relived operation of exchange process through adequate market research and to organize in appropriate way all other marketing activities which will lead to the further, potential rise. The role of brand

management in these activities becomes crucial. The understanding of marketing management concept of Montenegrin tourism (with precisely defined phases), that is marketing management framework of tourist destination “Montenegro”, defining the stage of life cycle in which it is now, are the basic assumptions of planning and development.

Although first consequences of the global economic crisis in Montenegro affected the capital market (the biggest decrease in stock market indices in the region and one of the biggest in the world), and then in banking, investment activities (in March 2009, 50% of total bank loans was higher than total deposits), tourism industry was also affected: left under the influence of “Montenegrin business school” to solely develop as strategic branch of industry, in the previous period directly dependent on external sources of funding and real estate market, suddenly initiated numerous unsolved issues, and suppressed at the back marketing management, that is the main area of research and adequate application of brand concept (brand image) of tourist destination. Montenegrin ungrounded neoliberalism without control mechanism forgot that tourist destination “Montenegro” has as well the opportunity of building the powerful brand which offers travel experience to remember, which is unique, connected only to the Montenegrin tourist destination, which should strengthen and at one place gather all the happy memories of tourist’s visit.

Based on available wealth of natural potential and real possibilities of placement tourism services on domestic and international markets, tourism industry of Montenegro already is considered, at least formally, as one of the main directions of economic development, which among other things is assumed that through

diverse measures of economic/tourist policy provides more dynamic development comparing to the trend of overall economy.

The recovery trend of world economy from the effects of the global economic crisis will have a positive influence on development of Montenegrin tourism. Strategic objectives of Montenegrin tourism based on the principles of sustainable development, real expectations of more favorable results of tourism industry already in 2011, improvement in systematic environment, infrastructure and traffic connection can contribute to intensive activities of improvement of the comprehensive tourist product. The tourist product "Montenegro" generated and balanced with regional development has to integrate more dynamic development of central and northern part of the country with the tourist offer of coastal region. Plans of development aimed at improving the infrastructure are the basis of increasing the level of existing capacity and building the missing tourist complexes of high-quality.

With implementation of strategic orientation of tourist destination of high-quality related to

diversification of product and service for which there is a demand throughout the whole year, with continuous improvement and quality management, Montenegro has a chance to become recognized, unique and integrated tourist destination.

Short-term and long-term goals of Montenegrin tourism

Starting from the expectation of establishing the environment for economic growth and increase of tourist demand and predicted measures for improving quality of tourist offer, in 2011 it is expected to increase tourist traffic, expressed as the number of overnights, by 3% and the tourism industry revenue of about EUR 654 million, which represents the increase of 5% compared to 2010. In the first eleven months of 2010, 1,248.9 thousands of tourists visited Montenegro, which represents the increase of 4.6% than in the same period of the previous year. Achieved number of overnights at the end of 2010 was over 8 million which represents the increase of 5.5% compared to the same period the previous year.

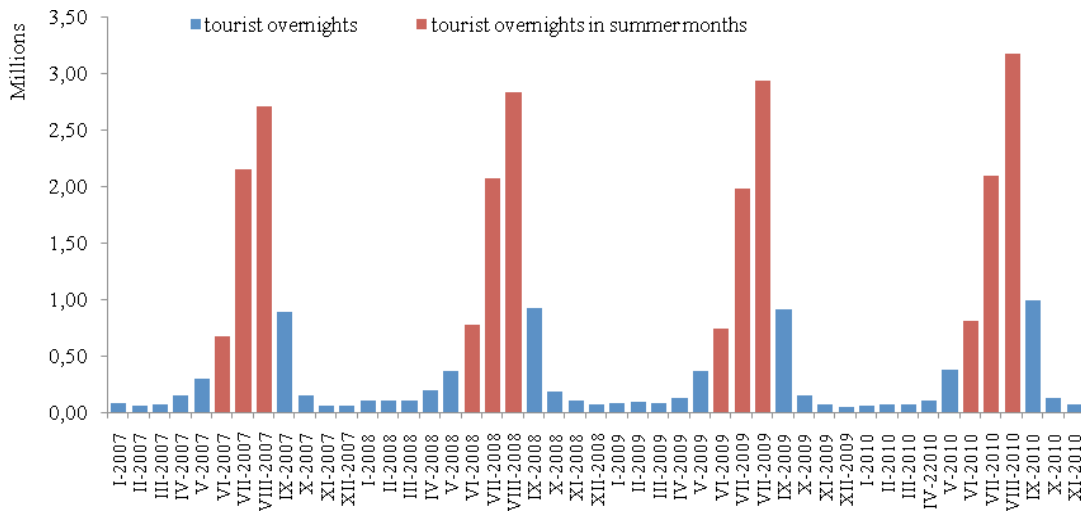


Chart 1: Number of overnights in the period from beginning of 2007 to November 2010

Strategic goals of Montenegrin master plan until 2020: (1) permanent, environmentally friendly use of resources, (2) destination of high quality with a special image, (3) increasing revenues per overnight, extending the season, strengthening

private economy, (4) to create special offers adjusted to target groups in addition to accommodation capacities with 3 to 5 stars within tourist offer on the coast, (5) qualitative evaluation of all other housing (private rooms, cottage flats and houses, camping) to basic

capacity of 180.000 beds, (6) offer for expensive, diverse, recreational and other holiday activities, (7) development of highland, mountains, national parks, lake and river areas, (8) average income of EUR 50 daily, per guest; annual usage of total capacities from approximately 25% (25,8 millions of overnights) and total tourism generated income from approximately EUR 1,2 billion as well as providing 75.000 new jobs in and through tourism.

Numerous researchers consider that in the near future tourist industry will have almost the same importance as the oil and car industries. In economically most developed countries service sector, in which is tourism as well, employs almost 80% of the total number of employees. The future of jobs and living standard of Montenegrin population will depend on: (1) creating possibility to make sustainable and controlled growth potential of tourist industry affordable and put its benefits in permanent use, (2) public participation in private economy, (3) attractiveness of overall tourist offer and its strength to survive in the international competition.

Marketing management framework of tourist destination

We define marketing management (or control aspect of marketing) as a process which analyses, plans, organizes implements and controls marketing activity at the level of tourist destination and/or company from the composition of the tourism industry regarding the efforts of more favorable use of available resources, which is achieving the objective of growth and development.¹⁴ Given the extreme complexity of the structure of tourism as a phenomenon, i.e. its prerequisite to many developing factors, starting with (driving) forces of tourist demand (objective

and subjective ones), it is inevitable to secure quality management of the string of management activities at the level of specific tourist center, place, Riviera, zone, sub region, or at the level of all three regions of Montenegro. Other than the issues of managing the marketing of tourist destination at macro level, at the same time it is necessary to manage at the micro level as well, i.e. at the level of tourist companies (catering companies, travel arrangers etc.). To manage the complex tourist system of high quality one should have in mind that its interdependent elements at the level of tourist destinations are the following: tourists – with all their characteristics, transport – infrastructure and means of transport, attractiveness and services – conditions of stay, all that what tourists will see and experience, and information – which include promotion, public, brand, image etc. The basic content of the conceptual framework of tourist destination marketing management is necessary to be made of the following six elements¹⁵: (1) situation analysis (environmental and internal resource analysis), (2) formulating mission, goals and guidelines, (3) adopting global strategies of tourist development, (4) determining strategic and tactical changes of the basic instruments of marketing, (5) designing organizations and implementation, and (6) control and follow up of the overall marketing activity.

Strategic marketing management process of tourist destination “Montenegro” which is necessary to be performed in accordance with the mentioned steps of conceptual framework and strategic brand management phases, with the rules imposed by segmentation of tourist market (to target groups) and by combination of important elements of brand destination, Montenegro has the opportunity to provide the highest priority of all industry sectors to the development of Montenegrin tourism.

Basic specificities of tourist destination brand

¹⁴ Uskoković, B.: Marketing management in tourism of Montenegro, Faculty of Economics Podgorica, 2000, page 24

¹⁵ Bakić, O.: Marketing management of tourist destination, II edition, Belgrade, 2002, page 31-33.

Tourist destination which wants to have a recognizable brand should create conditions which will enable its appearance of high quality at the tourist market. Also it is important to emphasize the whole series of specificities: (a) one should be realistic in evaluating strengths and weaknesses of a tourist destination and should also perceive all positive and negative aspects that influence creating its image, (b) brand that wins is much more than a new slogan or design, so it is very important for its creation to recognize its true values, (c) brand-building is not just an option, but also a risk of positioning at the market and an expression of fight with often unfair competition, (d) it is more important to find a possibility of continuous financing tourist destination brand building, than start immediately with amounts to millions – budget is a very important element and one should always have in mind not to promise much and a necessity of planning funds, (e) one should always have in mind that “brand is being created, and not announced” and that it takes time for the ideas to become reality – successful brand is a collection of high number of efforts and small, partial victories which, by time, grow up into one big victory if the branding goal was the right one and the moves were timely, (f) the issue of brand in tourism is not only compliance of expectations, products, images and services, but also a continuous search for emotions and impressions that remain a mental image at a visitor (g) visual identity of tourist destination is often the only image which is to be remembered – a tourist expects a good design, recognizable identity which represents the right product, (h) understanding of importance and the role of local community is a necessity, community’s coaxing into a destination brand-making and into creation of partnership between public and private sector, (i) limitation of action at the local level is just the opposite to the understanding of tourism and tourist development – local products are doubtlessly important for creating tourist destination offer, but without possibility of improvement the brand quality by using extra products and services we cannot talk about prosperity, and (j) accepting the assistance from outside in the brand strategy development shows objectivity and usage of other positive experience

with an objective to create a brand which could position itself at the global tourist market.

National brand: Interest for brand in tourism

The basic needs for a brand and recommendations for brand creation and its choice, of course worth also for a tourist product. As an expression of guarantee for the right characteristics of supply, tour operators insist more and more on a brand. In literature, the crucial reasons of interest for the brand in tourism are stated¹⁶:

Growing and strongly expressive attitude on the value of brand as part of the assets,

Changing the line of communication with the buyers in light of the increased costs of propaganda,

The growth of a retail influence and own brand on the market,

Knowledge about the influence of global competition¹⁷ etc.

There are certain advantages of brand in tourism, which marketing managers should have

¹⁶ Mihailović, B.: Marketing in tourism – Management principles, Faculty of Tourism and catering Kotor, Cetinje, 2005, page 282

¹⁷ International tourist market is already a global market! Globalization in the context of tourism is inevitably connected to the international tourism (although domestic is much bigger by the number of travels). The sole existence and the growth of international travels (in 2004 there were over 760 million of international travels, 37% more than 10 years earlier, and tourism share of Middle East and Asia has grown on the account of Europe and America), represents one of the most obvious manifestation of globalization.

in mind, and those are the followings: (1) a trademark decreases the consumer's risk, (2) a brand helps easier identification and the choice of market segments, (3) it enables integration of diverse participants (employees, shareholders etc) in a tourist destination, and (4) it represents strategic weapon for long-term planning in tourism.

Building a brand at a tourist market is much more complicated than in the manufacturing area, due to the very characteristics of the service. Policy of brand building in tourism is very complex and long-term. When it comes to the policy of brand development in Montenegrin tourism, we can conclude that Montenegro is at the beginning, so in a phase of development and brand launching, that is at the very beginning of the brand life cycle. To proceed starting from marketing concept in tourism of Montenegro, we will remind to the current situation (positioning) of Montenegro on a tourist market and point out, by many authors the most powerful mean in modern propaganda – national brand (tourism) of Montenegro. Marketing should not spread only to the foreign market. Montenegrin service providers and local population also have to be included.

In the time when globalization impose new conditions at the global market, in which nations are competing in export, tourism, investments etc, every nation builds its own brand (identity), promotes its "personality", culture, history, tourism, and all that in economic, trading and politic purposes. Focusing on the national brand we must have in mind that brand does not represent that what politicians or population of a country think about it, but what strangers (tourists) think as well as the manner of experiencing specific country. Process of national brand building requests much time and commitment of all structures in a country. Building a brand in tourism is possible only in cooperation with many separate messages, which have some uniting elements, and not through small number of great individual events. Therefore state branding requests systematic approach, high number of activities and including

large number of institutions (from the area of culture, art, sport, industry, education, foreign affairs and of course the tourism and the environmental protection). And exactly because all the mentioned activities (factors) it is difficult to create an image, a brand of some country. Of course it is necessary to start from the more positive features which in a way give a destination the proper seal (e.g. for Montenegro positive features are: food, vine, "rakija", Sveti Stefan, Splendid, Boka, Tara, handball, water polo, Petrović dynasty, state independence, Mirko Vučinić etc, while negative ones are: living standard, unemployment, institutions and corruption, hotels, until recently "highly risky" country).

There is no doubt that some countries and regions have made brands! The rule is that industrialized countries think more about a brand and about "origin country", which is not the case with the developing countries. "Origin country" could be an important aspect because it offers credibility and guarantees quality to some categories of products and services.

Product and image of Montenegrin tourism

In order to achieve credibility and unambiguous positioning, advertising message and the reality of product have to be complied. Especially in the field of expensive products for tourist market, Montenegro practically does not have a competitive offer. The state is prepared to offer a low level of volume capacity and it cannot advertise with unreal promises of quality. Such promotion would be wrong and non-profitable and would damage brand building process and goals because: as a destination Montenegro in abroad does not have (although not well-known) name, nor does it offer a demanding product, it is at the "new beginning" in brand creating (first phase of a brand's life cycle – launching and development), at the beginning stands the development of products with strategic objectives: quality destination and segmentation of products while core orientation of product

segmentation should be: to discover, to experience, to enjoy!

Diverse directions of product branding should be developed analogue to basic subjects – sharing the market and segmentation of target groups, partially parallel with them, and partially in the mutual sequence. Within these production lines some offers are still specializing, introducing for the needs of some target groups and build a series of sub-brands. Marketing appearance and promotional messages have to gradually follow development of a product and by doing so they have to also: (1) follow the basic topic of manufacturing line, (2) fascinate, provoke interest and a desire for traveling, (3) put to the fore USP (Unique Selling Proposition) that is emphasize the attractive peculiarity, (4) be honorable, in accordance with the facts.

To achieve concrete demand which the existing offer may adequately fulfill on one hand and to create the essence of the trademark product (brand) on the other hand, which is nowadays followed by adequate service, which prepares a highly valued image and specifies permanently Montenegro as special goal, brand strategy (image) should take the name of the country “Montenegro” as a general mark. With this general mark the following presentation of annual holiday should be created: (a) in uniquely beautiful and still untouchable environment, (b) diversity, exotic landscape and authenticity – of nature, culture and offer in general, (c) Adriatic beaches and sunny climate, and (d) high quality and choice in all areas of services¹⁸.

Finally, on the subject of Montenegro, then it is already obvious that tourist product with domination of sun, sea, sand, simple quartermaster services, that is inferior (sub-standard) elements etc, it is necessary to enrich with “stars” which mean full affirmation of our

ecological environment, much sports, fun, cultural-educational programs, excitement, flexibility (and everything that modern tourist requires), and which will result in higher level of tourist pleasure, and also in positive and recognizable brand of our destination. And brand, as is well-known, largely synthesized, in addition to the quality of a tourist product, other basic instruments of marketing.

Source markets and target groups

There are three source regions of the great importance for Montenegro: domestic market, i.e. ex-Yugoslavian countries – this market segment should not be denied, but from economic standing this market is not still interesting. For this market of the outmost importance is informative material and possibility to book reservations in an easy way. It is expectable that with improvement of living standard, relation towards spending and demand will slowly change. East-European markets – are the markets of future. Due to the long period which is necessary if coming by car or bus, tourists from Poland, Czech Republic and Slovakia are expected to come in small numbers. Nowadays even on those markets prevail a demand for the cheapest offers. With growth of the average income this markets will as well, owing to the fact of easier possibility of arrival than to the countries of the western Mediterranean and also because of lingual similarity, substantially gain in importance for charter-bathing tourism. Western part of the Central Europe – is the main Montenegrin market. Here is Montenegrin chance to rapidly consolidate the market and in those directions it must be heading. As soon as charter flights from Central and North Europe become relatively favorable and comfortable like to the other parts of Mediterranean, and quality of offer reaches the standard of at least that level, Montenegro will be able to offer an alternative for an annual holiday of high attraction. Due to the high population and habit of people to travel and spend, the German-speaking countries and countries from Benelux

¹⁸Marketing concept for Montenegro, Absatz and Scandinavia are part of the main Communications, Werbeagentur

Montenegrin markets, in which Montenegro must activate as soon as possible.

Second phase of the strategic brand management certainly is about more specific planning and implementation of brand marketing program. In this phase importance of mixing and compliance of brand elements toward the target groups becomes important. The main target group of Montenegro is “summer guest at bathing”. It is necessary to change the existing (negative) brand of “comfortable bedroom”, “sunbathing and swimming area” with “simple services”¹⁹. Quality of the Montenegrin offer for now can attract only small number of Western European tourists.

Identity of Montenegrin brand tourism

Let's remind that elements or identifications of a brand represent everything that serves to identify and differentiate the brand. The main elements of a brand are: name, logo, trademark, design, slogan and personality. The essence of a brand is not only to exist, but also to remain in the memory of consumer. Branding of physical goods is a much simpler task than branding a tourist product.

By buying a certain label consumer donates confidence to a seller in relation to a service that is expected. When it comes to traveling it is precisely this aspect of confidence plays an important role in consumers' thinking, so it is very pertinent to create the trademark “Montenegro”. In this regard, in the foreground were the following entries for a trademark concept: confidence in promised services, definition of service promising through the identity of a trademark, definition of a trademark identity through a series of values, which determine preferably trademark interpretation. Those values

have a task to emphasize competitive advantages by profiling and differentiation of an offer.

Established goal is creating a monopolistic position in the consumers psyche. In that regard four elements are important: (1) differentiation – new trademark is different just like Montenegro will differ in competition with others. That is the reason to isolate the trademark from the masses and to make it specially acceptable by consumers, (2) relevance – characteristics of the trademark have to be of the utmost importance for the consumer so he/she could one by one register them in their minds, (3) reputation – through continuous making achievements trademark by time gets reputation, (4) confidence – by repeated buying of the trademark occurs the confidence in that sign.

In addition to activities of trademark at target market, effort also needs to be put on raising national awareness, so population of Montenegro would create an adequate relation towards the mark, i.e. the awareness of quality, protecting an ecological environment, hospitable appearance and fair relationship between price and service in offers.

Montenegro offers on a small area, for an entire Adriatic coast very diverse landscape with four miracles uniquely high attractiveness: (a) Ulcinj beach, (b) Boka Bay, (c) Skadar Lake, and (d) wildly romantic world of mountains. These unique landscapes are an essential statement of the Montenegrin trademark. They are a big framework for tourist development of Montenegro, and additionally offer the necessary potential for differing Montenegro from other tourist regions. They can be summarized in a moderate promise!

General expression focuses on description of unique landscapes in two words. “Wild Beauty” is a slogan of brand called Montenegro. That's how the way logo is written and the slogan become a

¹⁹ Uskoković, B.: Marketing management in Montenegro tourism, Faculty of Economics, Podgorica, 2000, page 83

promise (Montenegro “Wild Beauty”). The expression wild beauty is adequate today, tomorrow and for the future. If it refers to the present, wild beauty of Montenegro should be discovered, in a couple of years these tourist services will be considered as unique, and later Montenegro will be enjoyable like destinations with almost unmatched versatility. Developing of trademark Montenegro was all about: discover, experience, enjoy. “Wild beauty” as an essence of the landscape remains as a claim essence of slogan, and it can easily be translated and will be understood as a promise worldwide, sounds fair and convincing and in any time can fulfill the given promise, useless in any of the competitive destinations, in all means of communication in a certain sense represents the peak of communication.

Trademark overall design is an important visual constant which repeats, and under which this mark “Montenegro” should be identified in every market presentation. As general designs can be accepted only through consequent and long-term processes as something that always comes back and always is the same, they should be free from short-term fashion phenomenon and still to be very efficient in adjusting. Putting things always in the same visual shape creates, economically, unambiguous advantages and rationality, safety in acting and a possibility of identifying with co-workers. In an ideal case overall design with its shaping elements transmits as much visually precise as possible product content and trademark. That way “the inner images” emerge which could create positive associations even to someone who watches them for the first time²⁰.

As a basis for building a brand of high quality Montenegro relies on the four unique²¹ Adriatic

²⁰ Adapted to the Concept of marketing for Montenegro, Absatz-Communications, Werbeagentur

²¹ Unique Selling Propositions (USP) – Montenegro should be presented as fairly and as credibly as possible in its original form, its beauty and its

jewels. As a result of USP we can conclude that Montenegro is multi-layered and diverse country with extreme topography and great richness of environment at the smallest space. Montenegro therefore consists of “many diverse components” which act together, belong together and that so create a word Montenegro.

Name Montenegro is a type of word of unusual length, and it cannot be shorten. Division into two words/terms Monte and Negro eases the reading of the second word. The word leaves an impression of Italian origin, and not by any chance Slavic. Trademark therefore consists of both words and image. Due to the length of the word Montenegro it is not recommendable for some other sign or logo to be added. Moreover it offers a possibility to use this disadvantage and create a constructive-strategic advantage.

Montenegro should be presented as fairly and as credibly as possible in its original form, its beauty and its simplicity. Main attractions are: naturalness/simplicity, unique landscapes/diversity and sandy beaches of extreme beauty at the east Adriatic coast – making the word itself a trademark (without additional mark). Therefore, one sign, word and image make a trademark of the word and image “Montenegro”.

Simplicity and time uncertainty are successfully achieved by the language of shapes, simple and basic: circle, square, rectangle and triangle. The language of colors is quite natural, like the land itself: (1) olive and brown tones, dark green of the Mediterranean pine, and (2) tones of sand and ocher and blue space of Adriatic. The provoking sign leisurely way reflects the cross section of land topography, leisurely is ligated bellow the inscription, as if painted by marker.

simplicity. Main attractions are: naturalness/simplicity, unique landscapes/diversity and sandy beaches of extreme beauty at the east Adriatic coast

This sign is actually a topographic “overview” of the country and by it is underlined the word Montenegro.

Conclusion: Development directions of Montenegro as a brand destination

The World travel and tourism council for four year in a row put Montenegro among three fastest growing tourist destinations of the world. In order to continue with growth Montenegro should create tourist product of high quality, dedicate to education of human resources and respect the principles of sustainable development – is said in the World travel and tourism council. In a report of the World travel and tourism council presented in Podgorica, Montenegro is fourth year in a row amongst the three fastest growing tourist industry in the world. In this report is said that in order to continue further growth Montenegro has to obey the principles of sustainable development, as well as to monitor the vision and tourist strategy which includes partnership of public and private sector. When talking about projected growth in spending foreign tourist will make in Montenegro until 2018, Montenegro is at the first place by growth rate of 10,3%.

Focus of Montenegro does not have to be on mass tourism, but on building of respectful and recognizable brand for a high tourist class. One should be careful when it comes to managing a tourist brand “Montenegro” because tourism in many countries is damaged by becoming too popular. If a trend of faster popularization of destination and attracting those who want mass tourism continues, Montenegro will find itself in a situation to be more polluted, to have more traffic jams on the roads, building even more hotels and increasing level of noise. Focus should be on those tourists who seek the highest quality and the best service and who tend to have a fun of their lives.

Process of branding the “Montenegro” tourist destination is necessary to happen in accordance with phases of strategic brand management, rules that are imposed by segmentation of tourist market (towards the target groups) and by combination of significant elements of Montenegro brand destination. Tourist development has a higher priority than all the other industry sectors of the country. From creating possibility to make this potential affordable and ensure its permanent usage, participation of public in the private economy, than attractiveness of the overall offer and its strength for dealing the international competition – depend and will depend in future jobs and living standard of Montenegrin population. It is important to build a good brand, of course on a realistic basis, and then that brand is practically self-selling – just like with the world’s famous clothing labels. It is just necessary to keep them unique and prestige and yet recognizable.

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CULTURAL TOURISTS REQUESTS FROM THEIR TOURIST GUIDES

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ABSTRACT

Cultural touring is an important part of the tourism industry, since 31% of the total number of tourists is motivated by culture. Cultural travellers often use the services of a tourist guide whom they figure out to be a knowledgeable person, fluent in the language of the tourist, a leader who will solve their problems, a helpful, good-humoured and polite professional, to whom endless other characteristics might still be added.

This paper is based on a study that took place in Portugal, from April to September 2008, and is part of a PhD project. 682 tourists of different nationalities were inquired about the attributes and roles of their guides, their importance and performance.

According to the results tourist guides exceed the expectations of their clients in most items, demonstrating a high level of qualification and service quality. However, items such as liveliness, humour and erudition seem to be less relevant than what might usually be expected, and tourists rather try to find a well-informed good leader, who can act as cultural mediator and heritage interpreter.

Key words: Tourist expectations, tourist guide, attributes and roles.

1. Introduction

The main purpose of this paper is to understand what tourists search for when they engage a tourist guide and to emphasize the role of tourist guides in tourist satisfaction. Tourist guides are crucial cultural brokers and intermediaries (Rabotic, 2010) between the tourist and the destination. They can make the difference between the dull enjoyment of a site and the will to come back.

The departing question is: what do tourists want from their guides when travelling? To answer this question a study was carried out in Portugal, from April to September 2008, as part of a PhD project – 682 tourists were inquired about their tourist guides attributes and roles in a cultural tourism context.

Przeclawski argues that tourism as a cultural phenomenon has become a way of life and he identifies five associations between tourism and culture.

“Tourism is a function of culture; i.e., the expression of a given contemporary culture;

Tourism is an element of culture – contemporary culture cannot be appreciated as a whole without the tourism phenomenon and vice-versa;

Tourism is culture transmission – urbanization and mass-media alone are not sufficient causes anymore to explain this transmission;

Tourism is the encounter of cultures [...] or their collision, according to the scale of cultural differences;

Tourism may be a factor of cultural change” (Przeclawski, 2005, 55-56).

These lines of thought show how close the relationship between tourism and culture is. Both

are essential in the industry if we have in mind the respect we equally owe to the host community and the tourist.

In 2002, McKercher & Du Cros overcame the difficulty of defining cultural tourism, conceptualizing it with “four key elements.

Tourism

Use of cultural heritage elements

Consumption of experiences and products

The tourist” (McKercher & Du Cros, 2002:6).

The authors stress cultural tourism marketing conceiving culture as a product ready to use. This conceptualisation of culture is opposed to others that see culture as a never-ending process, in which the tourist searches for his/her own interior

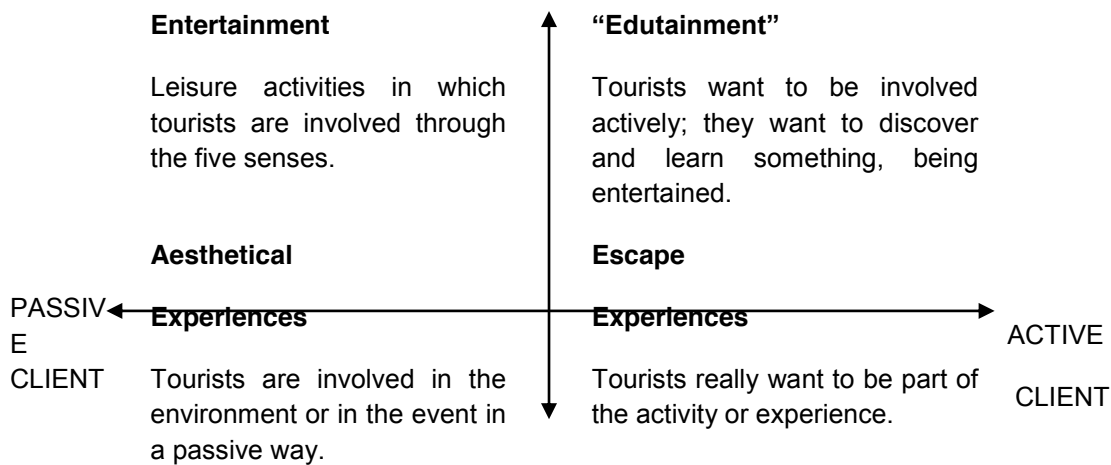
and spiritual evolution, while travelling and comparing himself with the other.

Smith (2003:103-104), suggests the following seven types of cultural heritage attractions: built heritage (monuments, architecture, historic buildings), natural heritage (cultural landscapes, national parks, caves), cultural heritage (arts, crafts, festivals, traditional events), industrial heritage (factories, manufacturing works, mills), religious sites (cathedrals, abbeys, pilgrimage routes), military sites (castles, battlefields, museums), literary or artistic spots (houses or landscapes associated with writers).

As for the consumption of experiences and products, tourists should have high quality, varied and unique experiences. Four types of experiences can be considered according to their content and the degree of involvement of the tourist (figure 1).

Figure 1: Types of Experience

ABSORBED TOURIST (mind)



IMERGED CLIENT (body)

Source: adapted from PENT (2006)

When talking about guiding, part of the satisfaction is closely related to the quality of the guide’s information and interpretation. The tourist guide plays a crucial role both in suggesting sensations and conveying emotions. Therefore,

the experience of a guided tour is positioned in the superior part of figure 1 – Absorbed client (mind) – and is connected both with entertainment and “edutainment”, depending on

the passive (ex: guided tour) or active (ex: guided paddy paper) involvement of the tourist.

During a guided tour, tourists are not only seeking for quality information but also for quality interpretation. Information and interpretation are too different things. We can define tourist information as “a set of services given to the tourist which aim is to inform and guide him during his stay or, inclusively, all information that will help him preparing his stay in a more accurate way” (Majó&Galí, 2002:397). For a guide, tourist information is a set of simple and precise data: transport options, timetables, numbers, monuments’ location and use of maps, etc. On the contrary, interpretation is personal, not repeatable and it gives to the guides’ speech a unique character. According to Freeman Tilden interpretation is “an educational activity which aims to reveal meanings and connections through the use of original objects, direct experience and illustrative means, instead of simply communicate factual information” (Tilden, 1977:8).

Guides have to develop intercultural competences, defined as “The degree to which a guide is capable of being an effective cultural mediator” (Yu et al., 2001:77). They must have competences in two or more cultures to act effectively as mediators, i.e. they have to be bicultural or multicultural to deeply understand the visitor.

Figure 2 shows some practical examples of how intercultural interpretation can change a dry speech into an interesting commentary, giving the tourist intangible emotions based on the five senses (passive mind), but at the same time increasing the tourist’s knowledge (active mind)²². Lines present the seven types of the above mentioned attractions suggested by Smith (2003). Columns represent three different levels of information/interpretation of several Portuguese attractions for English speaking tourists. If the same attractions were presented to another audience, interpretation should be different, because it is centred in the tourist (Tilden, 1977).

²² See figure 1.

Figure 2: Three Information/Interpretation Levels (English speaking public)

	Information	Interpretation	Intercultural Interpretation
	Basic: Recognising	Advanced: Understanding	Proficient: Applying
A. Built Heritage			
	That is Batalha Monastery. It was built in the 14 th century, in gothic style, under the orders of King John I.	Batalha (battle, in English) Monastery is called so, because it was built after a Portuguese victory in a battle against the Spaniards.	The Portuguese were helped by the English. Besides, the gothic architecture has English influences, because king John I of Portugal married Philipa of Lancaster, the daughter of John of Gaunt (son of Edward III) – alliance, family and love.
B. Natural Heritage			
	That is a cork oak field.	The bark of the tree is used for isolation of heat, humidity and vibrations and to make bottle stoppers.	The NASA uses Portuguese cork to isolate space shuttles – collaboration, connecting tradition with innovation.
C. Cultural Heritage			
	Portugal is situated in the southwest of Europe.	Portugal is in a strategic geographic position that partly explains the 15 th Century Discoveries.	Some English words were imported from Portuguese because of sailing: orientation (the Portuguese wanted to reach the orient – India) and risk (once only spatial risk, related to danger in the sea) are two examples – culture, language connections.
D. Industrial Heritage			
	There are many windmills along the Portuguese coast.	Portuguese windmills are round. They don't follow the European model, but the Arab one.	But new mills are not used to grind cereals but to produce electricity, using the energy of the wind – connecting tradition and innovation.
E. Religious Heritage			
1.	Catholics believe Our Lady appeared to three shepherds at Fatima, in 1917.	Basically, the message of the apparitions of Fatima talks about peace.	1917 is the year of the Russian revolution and the 1 st World War was being fought. The message of peace made sense in this context – peace, faith.
F. Military Heritage			

	St. George Castle overlooks Lisbon on top of a hill.	The first king conquered the castle to the moors with the help of the crusaders, who came from several countries in Europe.	The name St. George was given to the castle in the 14 th century when the English, under the protection of St. George, helped the Portuguese against the Spaniards – protection, friendship.
G. Literary or Artistic Heritage			
	Sintra was described by several foreign writers in the 19th century.	They all loved the nature and the romantic atmosphere of Sintra.	One of them was Lord Byron, who lived in Hotel Lawrence. It has a perfect atmosphere for a five o'clock tea. Shall we have tea there? – comfort, home.

Source: author (2008)

Notice the following details in figure 2.

In the first column the speech is reduced to the kind of general information you find in any book, I-Phone or site in the Internet.

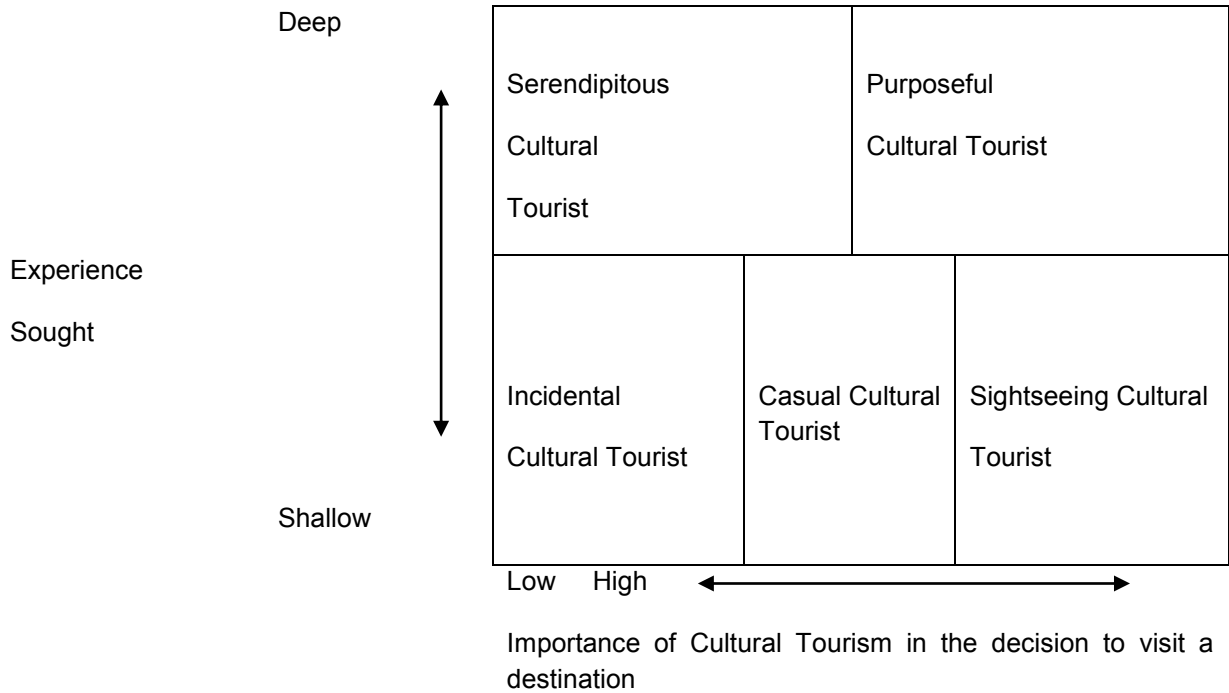
In the second column interpretation is not specifically related to the tourist and his/her references. It corresponds to a general pattern. It's the interpretation you get when visiting a museum with an audio guide, which helps understanding it.

In the third column there are always connections between the heritage resource and the public. We also find connections with intangible issues. Interpretation is personalised and centred on the tourist's culture. Hence the tourist feels s/he is somehow connected with the place visited and the host community.

Several emotions can be activated by the guide, contributing to positive interpretation: using humour, connecting reality with fantasy and childhood, telling stories, asking questions, suggesting images, etc. Interpretation is a way of giving meaning to the world and that is the most important roles of guides, as we will see below.

Unarguably cultural heritage tourists are cultural tourists, defined by Richards (1996) as people who travel specifically to visit a certain cultural attraction. They are usually highly educated and travel very frequently. Cultural tourists are not all moved by the same motivations. McKercher and du Cros (2002) identify five different types of cultural tourists (figure 3):

Figure 3: A Cultural Tourist Typology



Source: based on McKercher and Du Cros (2002:140)

According to the model above, we have the following types of cultural tourists.

“The purposeful cultural tourist – culture is central in their trip and they seek for a deep experience.

The sightseeing cultural tourist – culture is central in their trip, but they just want to visit the cultural highlights.

The casual cultural tourist – culture is just one of the interests of the trip and s/he doesn't want to get much involved.

The incidental cultural tourist – culture is not important and his/her involvement in culture is only superficial.

The serendipitous cultural tourist – although s/he doesn't seek for culture, once s/he has the opportunity to experience it s/he gets very much involved” (McKercher and Du Cros, 2002, pp140-142).

What Tourists want from their Guides?

A tourist guide is defined as a “person who guides visitors in the language of their choice and interprets the cultural and natural heritage of an area, which person normally possesses an area-specific qualification, usually issued and/or recognised by the appropriate authority” (EN 13809, 2003:12).

Many authors wrote about guides' roles. Cohen (1985) explains the role of guides as pathfinders, mediators, mentors and leaders. Other authors have referred guides as culture brokers, ambassadors, information givers (Holloway, 1981) and interpreters (Almagor, 1985). Geva and Goldman (1991) found that the performance of a guide is essential to the success of a tour. A positive evaluation of the guide's performance will increase tourist satisfaction, encouraging repeat visitation, passing the good words to friends or the purchasing of another tour through the same tour operator.

More recently, Salazar states: “Local tour guides are key actors in the process of “localising” – folklorising, ethnicizing, and exotising– a

destination" (Salazar, 2005:629). The author discusses an important role of the guide: to translate local issues into global discourses that tourists can easily understand. Khalifah (2007) asserts that the most important issue is a deep knowledge of the attractions, resources and products available to the tourists, besides communication skills, honesty and responsibility. Rabotic argues "the role of guides in the tourism system distinguishes itself by its potential to manage and orchestrate tourist experiences, enhance destinations image and implement the goals of responsible tourism" (Rabotic, 2010:n/p).

Guides have complex and heterogeneous roles. In order to deliver quality service, they have to develop several personal and professional characteristics. A guide is the product of education, training and experience. Effective information is based on solid academic work, continuous development of skills and life experience.

2. Methodology

This study was conducted using questionnaires. First, a group list of all the relevant service quality attributes and roles related to tour guides were identified based on a literature review. After a pre-test that produced some changes in the questions was carried out. Then, between April and October 2008, questionnaires were distributed among tourists by 26 tourist guides. On the 1st of November questionnaires were collected. There were more questionnaires filled in some languages (German, French and Italian), although there is no special reason for that.

In the questionnaires' analysis a qualitative and descriptive perspective was adopted, due to the limited number of answers in three languages – English, Spanish and Portuguese. Therefore these questionnaires were only used for the general analysis, but were not studied separately. Many data cannot be crossed and SPSS statistic analysis had to be limited. In the graphics Excel and Word were used. Two questions were also analysed according to the IPA technique (Importance-Performance Analysis), based on the comparison of importance and performance of service quality

attributes developed by Martilla and James (1977).

In this survey, the following categories were established for the interpretation of data:

Guides' attributes – performance analysis;

Guides' attributes – importance analysis;

Guides' roles.

Procedure

The guides provided a brief introduction to the research and then asked for participation (not compulsory). Tourists were asked to complete the questionnaire near the end of a one-week tour, although in a few cases they participated after a two or three day's tour. The questionnaires were filled in anonymously.

Instrument and sample

From the originally 900 questionnaires, 682 were completed in time. Missing answers are partly due to the fact tourists didn't want to spend their time filling out questionnaires, to doubts or misunderstanding of some questions, or to negative answers tourists didn't want to give, for politeness.

Questionnaires were composed of 49 closed questions, plus 3 demographic questions; from the 49 closed questions, 30 were presented on a four-point Likert-type scale, while 3 were yes/no questions. Three kinds of questions will be analysed: regarding guides' attributes; concerning guides' roles; on the tourists' personal profile.

According to table 1, from a total of 682 respondents, 69 spoke English, 158 were French, 176 were German, 178 were Italians, 35 spoke Portuguese and 62 were Spanish. It must be said that respondents who spoke English were from several different countries and those who spoke Portuguese were from Brazil. English (10,1%), Portuguese (5,1%) and Spanish (9,1%) languages are not well represented. Therefore, the information concerning these tourists is unreliable. On the contrary, French (23,2%), German (25,8%) and Italian (26,1%) tourists represent together 75% of the total number of tourists, about 25% per language. Therefore, the

information concerning these tourists is quite consistent.

Figure 4: Demographic characteristics of the tourists

Language	English			French			German			Italian			Portuguese		
	Mi ss	Nr	%	Mi ss	Nr	%	Mi ss	Nr	%	Mi ss	Nr	%	Mi ss	Nr	%
Gender	9			19			10			8			0		
Male		31	51,7		52	37,4		69	41,6		65	38,2		16	45,7
Female		29	48,3		87	62,6		97	58,4		10 5	61,8		19	54,3
TOTAL		60	100		13 9	100		16 6	100		17 0	100		35	100
Age	1			5			2			2			0		
Less than 20		0	0		0	0		0	0		1	0,6		0	0
Between 20-29		0	0		0	0		0	0		1	0,6		2	5,7
Between 30-39		3	4,4		9	5,9		5	2,9		8	4,5		4	11,4
Between 40-49		8	11,8		14	9,2		16	9,2		14	8,0		4	11,4
Between 50-59		12	17,6		37	24,2		43	24,7		62	35,2		8	22,9
More than 60		45	66,2		93	60,8		11 0	63,2		90	51,1		17	48,6
TOTAL		68	100		15 3	100		17 4	100		17 6	100		35	100
Education	4			41			20			11			0		
Secondary School		23	33,3		83	52,5		85	48,3		11 8	66,3		9	25,7
University		42	60,9		34	21,5		71	40,3		49	27,5		26	74,3
TOTAL		65	94,2		11 7	74,0		15 6	88,6		16 7	93,8		35	100

Source: author (2008)

3. Results and Findings

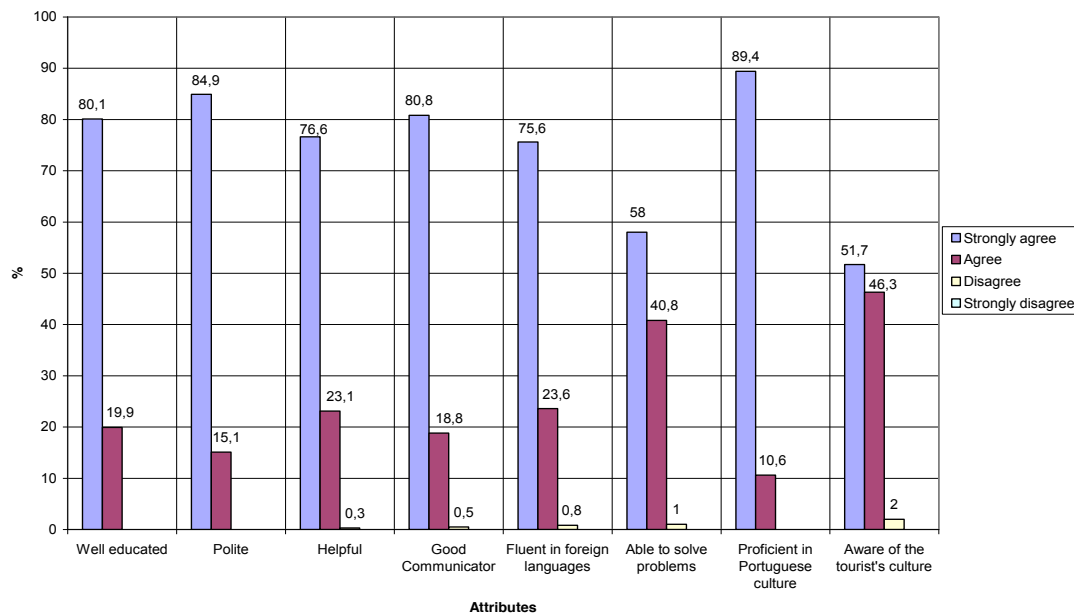
According to figure 4 there were more women (57,7%) than men (42,3%). Most tourists (68,1%) were seniors, over 60 years old (54,0%) and more than ¾ were over 50 years old. Young tourists, especially until 30 years old, don't buy guided tours, except for the Spanish, who seem to be younger (47,4% are aged between 30 and 49).

Exactly one half of the respondents frequented secondary school (or less) and 37,4 % went to the university. It is worth noting that 86 persons did not answer, almost half of them French, partly because they filled in the questionnaires in couples (which also accounts for missing answers for the age) and partly because they answered the question writing down names of primary and secondary degrees, which don't exist anymore, instead of the number of years they frequented school. Portuguese and English

speakers came from across the Atlantic, most of them from Brazil and the U.S., which can partly explain a higher education level and consequently a higher purchasing power, important to buy expensive tourist packages. Most Spaniards answered they have an undergraduate degree.

Tour guiding quality and tourists' satisfaction were analysed through the importance and performance of tourist guides attributes. The questionnaires survey two different issues regarding the guides' performance, more specifically the use of professional competences, and their relative importance to the tourists. Tourists were asked to give their opinion about the following issues: education, politeness, helpfulness, communication skills, solving problems capacity, language competence, knowledge of Portuguese culture, and knowledge about the tourists' culture.

Figure 5: Guides' Attributes – Performance



Source: author (2008)

Figure 5 shows tourist guides are knowledgeable about Portuguese culture (89,4% strongly agree; 10,6% agree). They are also polite (84,9% strongly agree; 15,1% agree), educated (80,1%

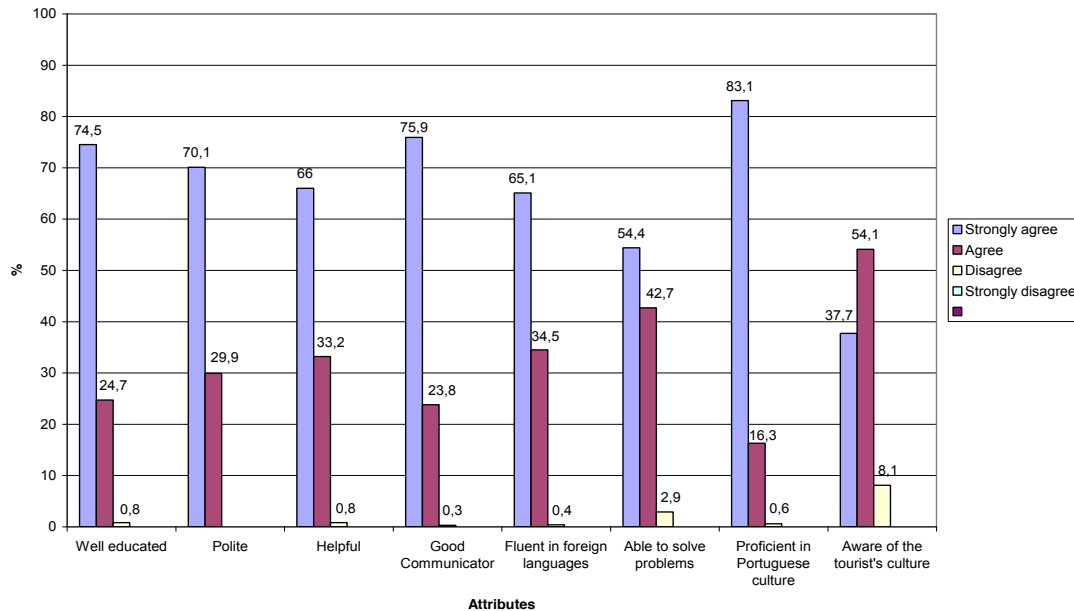
strongly agree; 19,9% agree), helpful (76,6% strongly agree; 23,1% agree), good communicators (80,8% strongly agree; 18,8%

agree) and fluent in the language of the tourist (75,6% strongly agree; 23,6% agree).

The capacity of solving problems (58% strongly agree; 40,8% agree) and proficiency on the

tourist's culture (51,7% strongly agree; 46,3% agree) are ranked as less well-performed attributes, but still positively.

Figure 6: Guides' Attributes – Importance

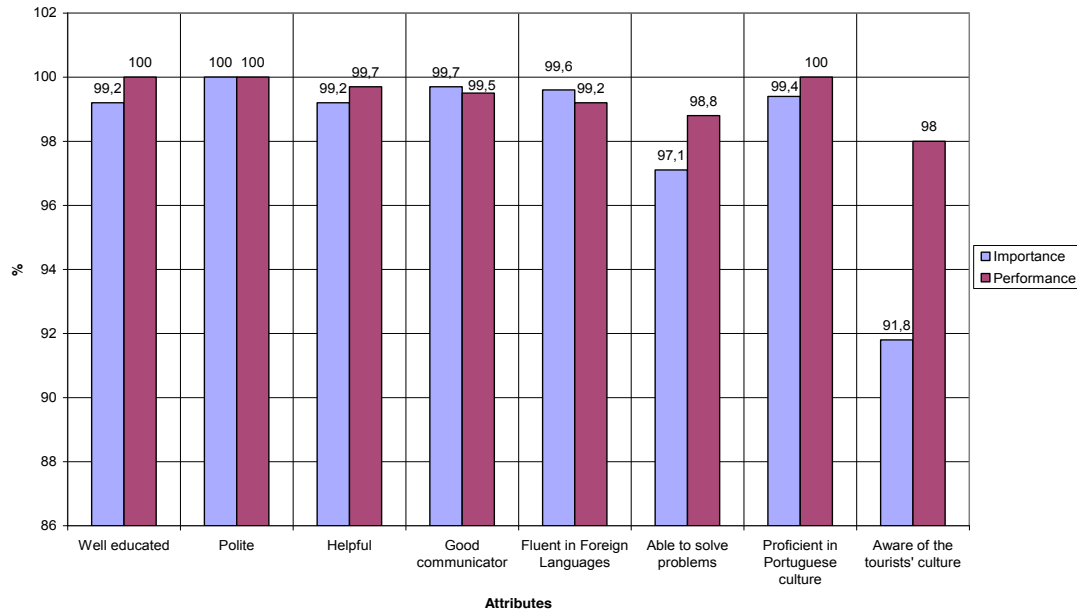


Source: author (2008)

According to figure 6, the most important attribute is politeness (70,1% strongly agree; 29,9% agree), the only item that has no negative answers. It is followed by the attribute good communicator (75,9% strongly agree; 23,8% agree), fluent in the tourists' language (65,1% strongly agree; 34,5% agree), proficient in Portuguese culture (83,1% strongly agree; 16,3% agree), well educated (74,6% strongly agree; 24,7% agree) and helpful (66% strongly agree; 33,2% agree). In the last position are the attributes able to solve problems (54,4% strongly agree; 42,7% agree; 2,9% of negative answers) and proficient in the tourist culture (37,7% strongly agree; 54,1% agree; 8,3% of negative answers).

There are always less than 1% negative evaluations, except in two cases: able to solve problems (performance 1,2% negative; importance 2,9% negative) and proficient in the tourist's culture (performance 2,0% negative; importance 8,3% negative). The performance of the first one was rated negatively by 1,2% of the 1,2% of the tourists but it was considered hardly important or not important at all by 2,9 % of the respondents. As for the second one, guides are considered to be little aware of the tourists culture by 2,0% of the tourists, but this feature is considered to be not very important or not important by 8,3% of the respondents.

Figure 7: Guides' Attributes according to Tourists – Importance/Performance Rates



Source: author (2009)

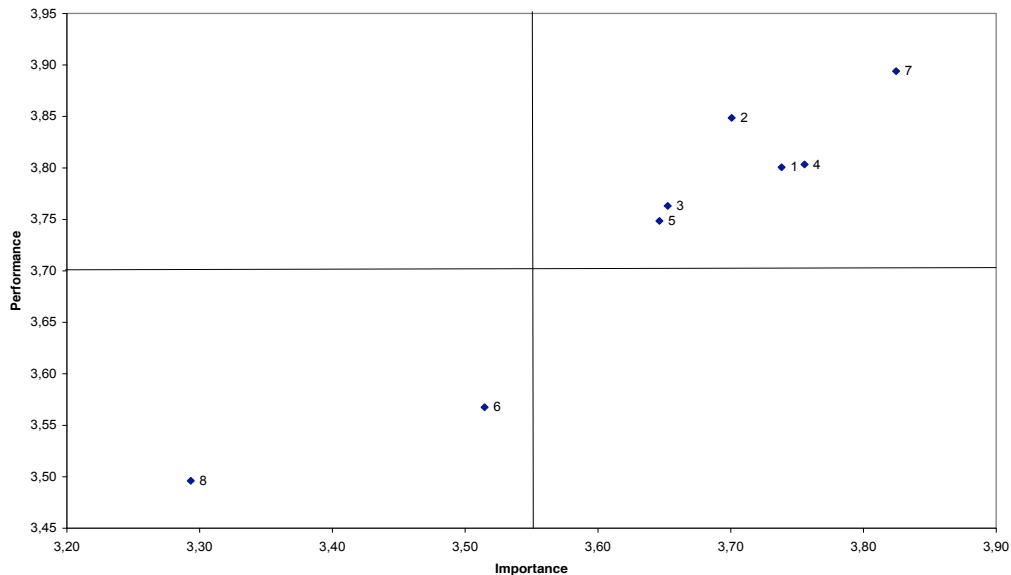
We can analyse and compare the answers to questions 3 and 4 simply using the “strongly agree” together with the “agree” column, as in figure 7. Thus, we have a good idea of the answers to both questions together and a clear image of the relationship between what tourists expected from their guides and what they actually obtained.

It is clear that the guides met or exceeded the expectations tourists originally had about them, especially about the awareness of their culture, where the difference importance/performance is higher, thus more obvious: performance – 51,7% strongly agree + 46,3% agree; importance – 37,7% strongly agree + 54,1% agree. They didn't exceed the expectations of tourists in communication skills and language proficiency.

The issue awareness of the tourists' culture was the lowest rated one, but this fact is not very important for the tourists. Notice that also the

ability to solve problems is not highly rated, being most probably a (minor) handicap of Portuguese guides (performance – 58,0% strongly agree + 40,8% agree; importance – 54,4% strongly agree + 42,7% agree). Not surprisingly, Portuguese guides are considered very proficient in Portuguese culture (performance – 89,4% strongly agree; importance 83,1% agree), quite polite (performance – 84,9% strongly agree; importance 70,1% agree) and well educated (performance – 80,1% strongly agree; importance 74,6% agree). They are also good communicators (performance – 80,8% strongly agree; importance 75,9% agree), fluent in foreign languages (performance – 75,6% strongly agree; importance 65,1% agree) and helpful (performance – 76,6% strongly agree; importance 66,0% agree).

Figure 8: Tourist Guides' Attributes (IPA)

**Legend:**

1-education; 2- politeness; 3- helpfulness; 4- communication competence; 5- language skills; 6- solving problems capacity; 7- knowledge of Portuguese culture; 8- knowledge about the tourists' culture.

Source: author (2008)

Results look slightly different in the Importance/Performance Analysis (IPA), considering the average rates of guides' attributes. If we distribute them in the IPA quadrants as in figure 8, quadrants I (possible overkill) and quadrant IV (concentrate here) will be empty.

Almost all attributes are to be found within quadrant II (keep up the good work), with special relevance to knowledge about Portuguese

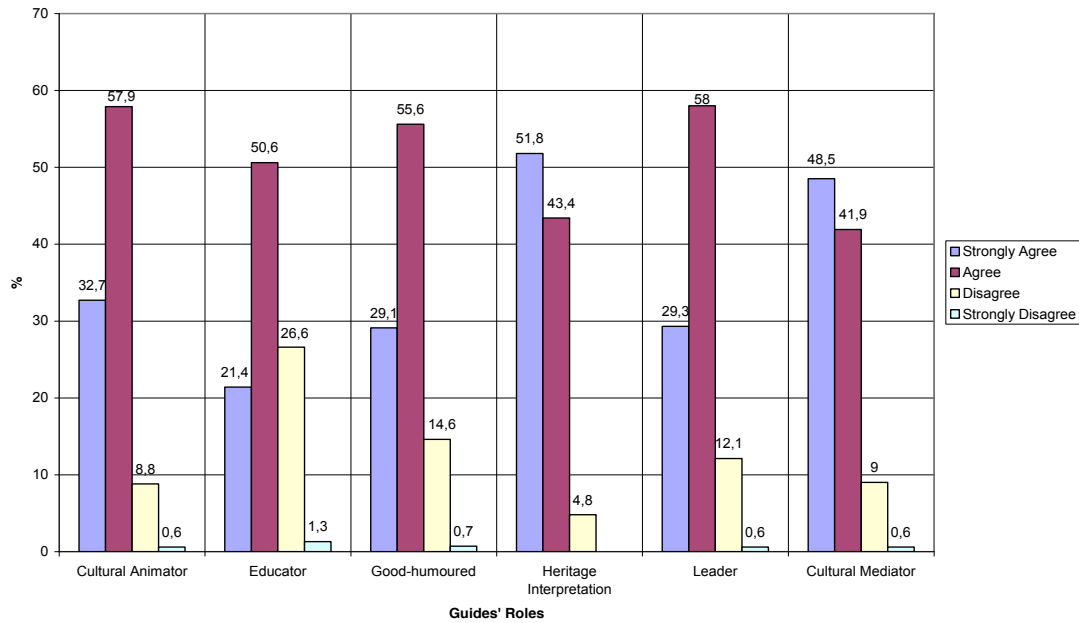
culture. These attributes are critical and their performance is equally high, therefore they should be kept as they are.

The capacity of solving problems and above all knowledge about the tourist's culture are not very high rated in the chart. They are situated in quadrant III (low priority), i.e. they are unimportant to the tourists, since they are evaluated as low priority and low performance.

Nevertheless, the following questions should be asked: how can we conceive a tourist guide who is unable to solve problems or conflicts? How do we imagine a guide who cannot translate culture?

These results don't match the answers given by tourists about guides' roles. According to figure 9, among the most important roles there are heritage interpretation (how can interpretation be appealing if it is not centred in the tourists culture) and leadership (a good leader must be able to solve problems).

Figure 9: Guides' roles



Source: author (2009)

Tourists had to classify the importance of six guides' roles. In this question a Likert-type scale was presented with roles suggested by literature. The following roles were selected: cultural animator, educator, good-humoured person, heritage interpreter, leader and cultural mediator.

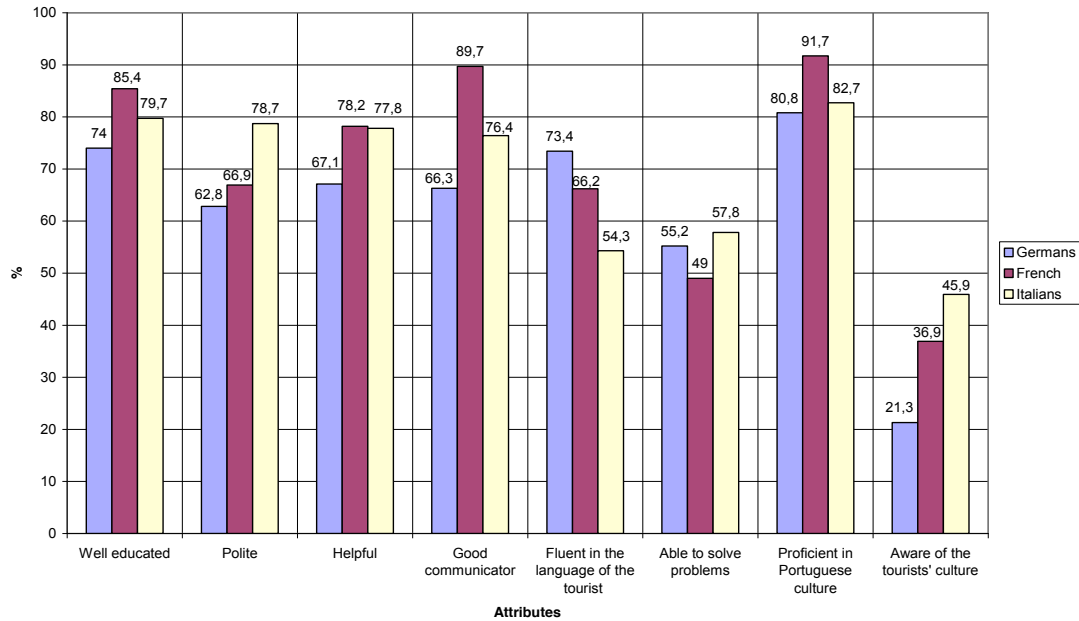
Figure 9 shows that 98,6% of the tourists agrees or strongly agrees that the guide is above all a heritage interpreter. Other important roles are cultural mediator (94,9% agree or strongly agree) and leader (93,9% agree or strongly agree).

As far as the other roles are concerned the respondents' opinion is clearly divided, since 3/4 of the tourists considered the guide as a cultural

animator (77,2% agree or strongly agree), an educator (74,3% agree or strongly agree), whereas 80,2% of the people say that the guide should be a good humoured person. It is extraordinary the number of tourists who provide no answer whatsoever in the case of two specific roles: educator (78 tourists didn't answer) and cultural animator (68 people gave no answer). Arguably some tourists were not quite sure about the importance these two roles may have or they just don't agree with them and preferred not to answer.

If attributes and roles are considered separately according to the three main languages of the respondents (German, French and Italian), the results reflect slight differences.

Figure 10: Guides' Professional Attributes, according to German, French and Italian Tourists – Importance



Source: author (2008)

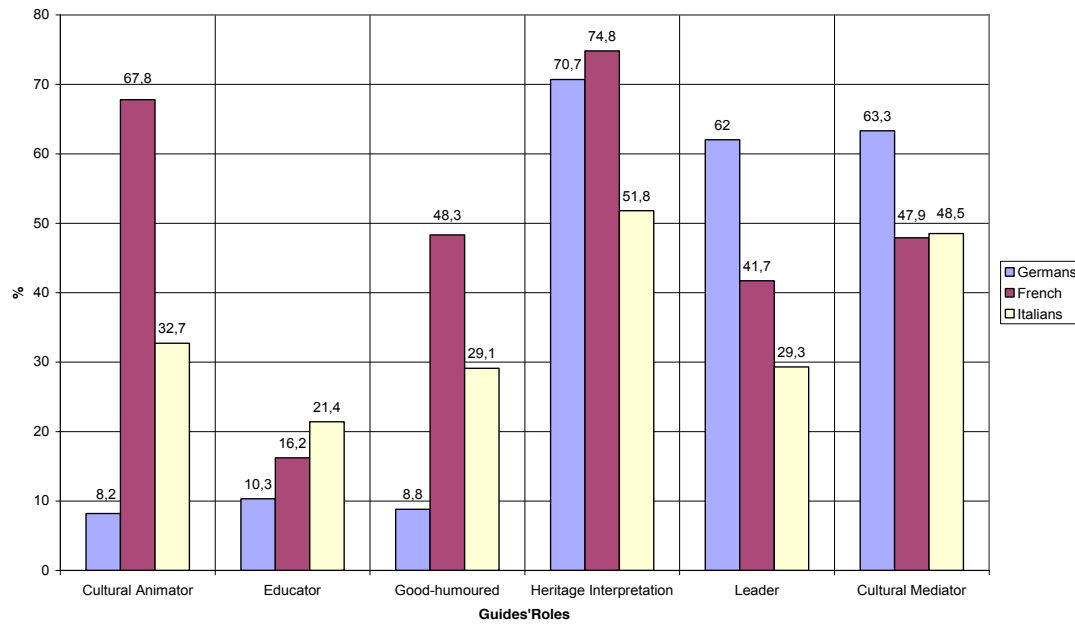
The first thing to keep in mind about figure 10 is that the most important attribute is knowledge about Portuguese culture, contrasting with the last one for all of them, which is knowledge about the tourists' home country.

Only 21,3% of the Germans thinks it is important to know the tourists culture. But comparing with the other nationalities, Germans also consider less important the knowledge about Portuguese culture (80,8%), communication skills (66,3%), helpfulness (67,1%) and education (74%). On

the contrary, language proficiency is more important (73,4%).

French appreciate very much their guides' education (85,4%), helpfulness (78,2%), communication skills (89,7%) and knowledge about the Portuguese culture (91,7%).

For half of the Italians it is important to know their culture. Politeness (78,7%), education (79,7%), helpfulness (77,8%) and knowledge about Portuguese culture (82,7%) are the most important attributes.

Figure 11: Guides' roles according to German, French and Italian Tourists

Source: author (2008)

Figure 11 reflects what tourists from different nationalities think about guides' roles – those are only the “strongly agree” answers. The chart confirms that the predominant role of the guide is interpretation, followed by cultural mediation and leadership. French like their guides to be cultural animators (67,8%) and good heritage interpreters (74,8%). Besides an interpreter (70,7%), Germans also need a leader (62%), and a cultural mediator (63,3%), whereas Italians give more importance to interpretation (51,8%) and mediation (48,5%).

4. Final Considerations

The survey shows that $\frac{3}{4}$ of the tourists who require the services of a tourist guide are over 50 years old and over half of them are over 60. Most of them are women and 37,4% frequented university. Tourists want the guide to be a heritage interpreter and a cultural mediator, because they bought a cultural and landscape touring product and culture is the target of the whole trip. They also prefer a guide who assumes the role of a leader and a cultural

animator, although these two concepts might change according to nationality. Tourists seem to be less concerned if the guide is some sort of a teacher or a good-humoured person.

According to the tourists, guides should be polite, educated, and helpful. But most of all they have to be very knowledgeable about their country. Communication and languages skills should be slightly improved, the only attributes in which guides did not exceed the expectations of tourists.

Apparently it doesn't bother the tourists if guides are unable to solve problems or if they do not know their clients culture. Nevertheless, these attributes don't match the roles considered to be important for the tourists, because in order to convey good interpretation and cultural mediation it is central to know the tourists' culture; and to be a good leader is also to be able to solve problems.

For all of them interpretation is the most important role. French want also a cultural animator; whereas Germans appreciate leadership and Italians need cultural mediation.

Even though, it is clear that the service of the tourist guides exceed the expectations of the tourists, which proves their satisfaction when visiting Portugal.

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THE ACCOUNTING REFORM ATTEMPT IN THE GREEK NHS

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Abstract

Purpose: This paper presents the odyssey of accrual and cost accounting practices introduction to the public hospitals that constitute the main body of the Greek National Health System (NHS).

Methodology: The accounting reform process is analysed through the prism of the theoretical framework of Mintzberg et al. (1976) in relation to decision-making. Government efforts to implement organizational and accounting change for better accountability and cost control in the Greek NHS and resistance to change expressed by several participants in the reform chain are discussed thoroughly. Furthermore, the unavoidably worsening results of not taking the proper decisions and actions in time are presented and their disastrous consequences are discussed.

Findings: Jurisdiction problems, lack of commitment, short term goal seeking by politicians, narrow investigation of the importance of change in the NHS, little attention given to the preconditions necessary for successful implementation and ambiguity regarding the

effects of change on individuals and interested groups are some of the reasons that have contributed to the unsuccessful accounting reform attempt in the Greek NHS.

Keywords: Accrual accounting, cash accounting, accounting reform, National Health Systems, Greece.

Paper type: Case study

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The accounting reform attempt in the Greek NHS

1. Introduction

Several accounting and financial management public sector reforms within the context of New Public Management (NPM) have been witnessed during the last two decades in a plethora of countries across the globe (Mellett, 2002; Lapsley and Oldfield, 2001; Panozzo, 2000). These reforms were mainly initiated on the basis of the claimed benefits of NPM (Olson et al., 2001; Lapsley and Oldfield, 2001) that at least in the beginning was considered as a panacea to public administration problems (Mellett, 2002). More specifically, New Public Management principles accompanied with New Public Financial Management (NPFM) have been extensively incorporated within the National Health Service reforms that have been introduced to Europe and U.S during the last 20 years (Lapsley, 1991; Jones and Dewing, 1997; Mellett et al., 2009; Ellwood, 2009). Nevertheless, NPFM attempts in general have not always been successful (Venieris and Cohen, 2004). In many cases, literature provides evidence of transformation attempts rather than the achievement of transformation per se (Lapsley, 2001).

This paper aims at analysing the reasons that have resulted in the very slow progress of the accounting reform in Greek Public Hospitals by employing the theoretical framework of Mintzberg et al. (1976) in relation to decision-making. Via an analysis of the context within which this reform has not yet seriously progressed although several years have elapsed since its conception.

The structure of the paper is the following: The methodology and the theory that will be used for the analysis of the accounting reform are presented in section 2. In section 3 the context within which the accounting reform process was initiated is presented. Section 4 is dedicated to the stages of the reform, and finally the conclusions are presented at the last section of the paper.

2. Theoretical Framework and Methodology

Mintzberg et al. (1976) studied how various decision processes evolved and recognised three phases, identification, development and selection, which however do not occur at a linear pattern but at a rather recycled one. Identification

concerns the recognition of the need to make a decision and the initial definition of the problem. Next, the development of a solution is made out of a search among similar past solutions or the design of a new one. Finally, the selection of a solution takes place in different stages of the process and not necessarily at the end of the process. Selection entails screening of information, evaluation of alternatives and authorisation to proceed at a next stage. This recycled nature of any strategic decision-making process is better explained with the adaptive view that sees strategy being formed incrementally, as a steam of actions-decisions responding to perceived changes in the organisation's environment (Mintzberg, 1978; Pennings, 1985).

Nevertheless, any decision process does not occur in a black box or the environment should not be seen as only the initiator of the process. Context, either environmental or intra-organisational, determines the need for changes in strategy and influences its formulation process (Pettigrew, 1977). The strategy consists of the stages of formulation and implementation, which have a continuous and simultaneous interplay (Mintzberg, 1978; Pettigrew, 1985). Change is the outcome of a dynamic process. Within this process power holders struggle for status and try to perceive their interests, secure their position and promote career goals (Pettigrew, 1973). Usually, a changing situation inside or outside the organization produces stimuli and dilemmas about how individuals and collective actors will respond to that situation. Strategic change can be viewed as the organisation's response to environmental change. By recognising a situation that needs to be altered, participants put their own demands on the strategy generation process regarding how change should take place. The choice of demands to be processed, as well as the choice of action to be followed, characterises the political nature of strategic decision-making (Pettigrew, 1977).

Resistance to change and political behaviour is more intense and overt in the public sector than in business organisations, since the latter are usually characterised by concentrated leadership and goals better rationalised such as profit maximisation (Pettigrew, 1985; Sykianakis,

2002). While in businesses political behaviour is mainly noticed during implementation of a project where more participants are involved (Cartrer, 1971), at the public sector both goal formation and implementation are characterised by open political activity.

Public Hospitals can be characterized as bureaucratic organizations. In a changing environment it has been noted that the bureaucracy seeks stability from its actions, while the leadership actually mediates between the environmental pressures for change and organisational (bureaucratic) resistance to change (Mintzberg, 1978). Within this environment the adoption of change is difficult (Butler, 1991). Public Hospitals have looser corporate ideology due to their social role and their not for profit orientation. As a consequence, it is more difficult to enforce a decision (Butler et al. 1991, Pettigrew, 1973; Pfeffer, 1981). Also, power is more dispersed and conflict can arise more clearly (Pfeffer, 1981; Ballas and Tsoukas, 2004).

Jones and Mellett (2007) studied the interplay between accounting change, institutional evolution and organizational transformations in UK healthcare delivery since 1800 through the Social Forces Model. They concluded that accounting was not only a technical instrument within an institutional setting but also that accounting became an instrument for change.

3. The context

3.1. Greece: Society, State and political system

The Modern Greek political system is characterized by a mixture of modern and liberal institutions with a traditional, interpersonal culture (Diamandouros, 2002). A parliamentary system with broad suffrage co-exists with a patrimonial, pro-capitalistic mentality in society. As a consequence this patrimonial mentality is transferred from society to politics and the state, resulting to the model of patron – client relationships (clientelism) over the Greek political system for nearly two centuries (Kondylis, 1995).

Through broad suffrage, members of the local ruling class manage to be elected in parliament and in ministerial positions. Elected political staff act as patrons compensating voters - clients in return to their support. The most usual compensation is hiring numerous voters in the public service. That has resulted to an overpopulated but unproductive public service, since public servants are appointed not by merit but from the numbers of voters a family possessed and its relevant influence (Kondylis, 1995). A sizeable but inefficient state absorbs resources from the private sector but offers low quality services. This is the main problem characterizing the Greek public sector and has resulted to today's fiscal problems.

3.2. The establishment of the Greek NHS

The Greek National Health System (NHS) was formally established under its present form in 1983, by the then socialist government. During the 1980s there was a huge increase of public spending in general (Voulgaris, 2008) and in particular on health expenditures (Ballas and Tsoukas, 2004). In addition, the socialist party administration was characterized by a fierce populist rhetoric, in favor of the non-privileged, lower classes. Populism is directly related to clientelism (Haralambis, 1989). Clientelism and populism characterize countries of the semi-periphery such as Greece, allowing the elevation of lower class members to key administrative positions (Mouzelis, 1986, Ballas and Tsoukas, 2004). "In traditional clientelism, kinship-cum-locality is the basis for the exchange of favours. With bureaucratic clientelism, the political party apparatus becomes an additional source of generating trust and control. In both cases we do not encounter impersonal, universally accepted rules mediating between the individual and the institution, but personalistic relationships derived from kinship, locality and/or party allegiance." (Ballas & Tsoukas 2004, p. 682). As a result of clientelism and populism, socialist party trade unions in the public sector gained considerable power, participating actively and formally to state-organisations' administration and often being a factor opposing almost any effort for change.

3.3. The existing accounting system in the Greek NHS

The accounting system that was in place before the accounting reform in Public Hospitals was a cash-based one that had as a primary goal the monitoring of budget execution along the lines dictated by legislation. The preparation of public organizations' budgets in Greece follows specific guidelines imposed by the Ministry of Finance. As far as Public Hospitals are concerned, the yearly budget that is submitted to the Ministry of Health for approval should always be balanced. The equilibrium between operating expenses and

revenues is achieved through the requested subsidy.

An overview of the financial status of the total population of Public Hospitals (approximately 120 hospitals) for the period 1994-2000 is presented in Diagram 1. This graph depicts the evolvement of two ratios: a) operating revenues to operating expenditure and b) State Budget subsidies to operating expenditure all calculated on cash accounting basis presented in the National Budget Report (NBR) of 2002 (NBR, 2001; p.90). These ratios are used to evaluate public organisations' performance.

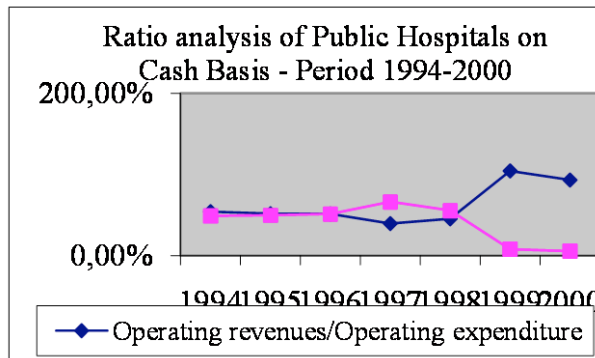


Diagram 1: Ratio analysis of Public Hospitals for period 1994-2000

The conclusion that can be drawn from Diagram 1 is that Public Hospitals, in general, improved after 1998 both the relation between operating revenues and operating expenditure and became less dependent on state budget. However, the substantial improvement depicted in the above graph is misleading. The reason is that from 1999 onwards the wages of Public Hospitals' staff are paid directly from the State Budget. This change in policy results in Public Hospitals' staff costs not being included in Public Hospitals' budgets as an operating expense and thus the State Budget Subsidy is decreased by the same amount. Another issue that is not shown in the graph is that in 2001 the Government covered directly from the State Budget cumulative debts of Hospitals towards pharmaceutical companies that amounted to € 1.04 billion. These liabilities were not presented in the financial statements of Public Hospitals as they were prepared on cash basis and had been for long a hidden liability that tended to increase throughout time. This "black hole" as it was characteristically called corresponds to the 97% of the operating costs of hospitals in 2000.

4. Phases of the Reform

In recent years it has been realised that stewardship that is served by cash based accounting is not enough and a reform should take place aiming to improve the control of financial management as well as introducing financial performance measurement to public sector. The phases of this reform are presented next on the basis of the theoretical framework developed by Mintzberg et al. (1976). These phases are namely identification, development and selection.

4.1 Identification

The identification phase includes the recognition of the need for strategic change by the Ministry of Finance as a response to changes in the environmental context.

In 1996 a University professor was appointed as Deputy Minister of Finance. A significant goal at that period was the convergence of Greek

Economy with its European counterparts in order for Greece to join the Economic and Monetary Union (EMU). This goal was hindered by the lack of expenditure control in public organisations that were subsidised by the State Budget.

The Deputy Minister of Finance, following the international accrual and management accounting adoption paradigm in the public sector, promoted the idea of initiating an accounting reform to the subsidised public organisations, including Public Hospitals. This attempt was seen as a response to the expenditure control problem. Thus, the Ministry of Finance as a response to the contextual set stimulated the accounting reform in Greek Public Hospitals. The international examples of NPM implementation to public sector, the intense problems regarding the lack of control over subsidies and the convergence of Greek economy to its European counterparts, formed the characteristics of the environmental context that determined the need for change in the Ministry of Finance strategy towards subsidised public organisations.

The need for reform of the accounting system used in the public sector was mentioned for the first time in the National Budget Report (NBR) of 1997 (NBR, 1996; p. 71). The declared goal of this attempt was to reduce public expenditure, to increase the efficiency and effectiveness of public administration in all sectors and also to assess the degree of efficient use of the resources allocated in each public organisation. According to the NBR of 1997 (NBR, 1996; p. 71) the new system would ensure the quality of submitted accounting data for decision-making such as loan negotiations or subsidies granting (NBR, 1996; p. 72).

4.2. Development of the Accounting Reform Framework

The development phase describes how the strategic change that was initiated as an idea by the Ministry of Finance started being materialised. The development of a solution could be either towards the search among past decisions or towards the design of a custom-made new one (Mintzberg et al., 1976). In the current case both options were observed.

4.2.1. Informal Search

The framework for this reform was assigned by the Deputy Minister to a team of experts, both academics and professionals who had to work under a tight timetable towards that goal. Consultants are frequently used in accounting reform projects in the public sector (Lapsley and Oldfield, 2001). Consultants with either private sector experience or academic qualifications are supposed to bring the necessary changes and “create governments that work better and cost less” (Panozzo, 2000). Experts are considered to be objective and specialised observers and their suggestions may be used for legitimising decisions and ceasing opposition from other parties. They also tend to be hired for critical issues that may generate intense political activity (Mintzberg, 1985).

Time was considered a significant parameter, as the problem regarding rationalisation of State Budget subsidies was intense and the political sponsor expected immediate results. Moreover, the time pressure was augmented by the fact that politicians usually aim at short-term results (Lapsley, 2000; Lapsley and Pettigrew, 1994).

The planning of the accounting reform framework was carried out mainly by the members of the consulting team following a rather top-down procedure without the contribution of the directly involved parties, thus not ensuring their co-operation and commitment. The tight time frame available for proposals preparation as well as their development in a less interactive environment resulted into a proposed framework that overlooked significant hardware and software problems as well as the low level of familiarity of public servants with accrual accounting. By the end of 1997, the project team prepared the Accounting Blueprint for the Hospitals (Venieris, 1997). The Accounting Blueprint mainly contained broad guidelines regarding principles for accrual basis accounting implementation, similar to those applied to the private sector, the charts of accounts, examples of journal entries and templates for the format, i.e., the content of the published financial statements. The charts of accounts contained in the Accounting Blueprints had a lot in common with those used by private companies, but they also possessed a unique characteristic. They permitted the simultaneous registration of accounting entries to both the accrual accounting

system and the cash accounting system under conditions (for more details see Cohen et al., 2007). Therefore both systems would co-exist and operate in parallel.

As indicated in the NBR of 1998 (NBR, 1997; p. 172-173), year 1997 was very active in relation to the introduction and implementation of the new accounting system. This activity included pilot testing of the new accounting system in two hospitals, identification of the hardware, software and training needs and selection of the hospitals that would on a voluntary basis apply the new system. In the same report (NBR, 1997; p. 175) it is written that during 1998 all the necessary preparatory actions would have taken place in order for the new system to be fully operational at Public Hospitals by 1st January 1999. These actions were related to the education of Accounting Departments' staff, the acquisition of suitable software and hardware and the settlement of organisational and administrative matters related to accrual and cost accounting introduction. As indicated in the next phase these goals were never achieved. Regardless of what was written in the NBR, in practice the issue of accounting reform in the public sector had not attracted much interest during this period, as it had not been considered a meaningful change.

4.2.2 Formal Search

This phase describes the jurisdiction problems that the strategic change faced due to the fact that the Ministry of Finance did not have the authority to prepare accounting plans. Thus, this obstacle prevented the Ministry of Finance from leading the change. As according to legislation this right is exclusively assigned to the National Council of Accounting (ESYL), ESYL did not approve of the Accounting Blueprints prepared by the project team. The lack of formal authorisation froze any effort for accounting reform based on the Accounting Blueprints. Therefore, in order for the goal of accounting change to be sustained, ESYL was appointed to develop the accounting framework for the public sector from scratch. During this phase, ESYL mobilised its power and resisted because the change would result in losing its privileges. This move actually signalled the abandonment of the system already developed. As a result the pilot hospitals did not initiate the scheduled pilot stage

as they expected that the framework would change either more or less radically in a short period of time. Moreover, this delay relaxed the pressure exercised to them for compliance with the new accounting system.

The Official Sectoral Accounting Plan for the Organisations of the Public Sector (SAPOPS) was ready by the end of 1998 and took the form of a Presidential Decree (P.D 205/98). The SAPOPS developed had a financial accounting orientation and was like the Accounting Blueprints based on the existing accounting plan for the private sector with the additional feature of accrual and cash accounting accounts matching. The deadline for the implementation of the new accounting system to Public Hospitals was the 1st January 2000. The NBR of 1999 devotes only a few pages to the discussion of the usefulness of the accounting reform and accrual accounting (NBR, 1998; p.p 151-153). Also, the fact that the SAPOPS was publicised during 1998 is indicated. Contrary to the NBR of 1998 there is not reference to preparatory actions necessary for the accounting reform introduction, action plans, etc. As it can be inferred by the text, the importance on the accounting reform seemed to have lost ground.

4.3 Selection

The Government considered that the Presidential Degree was sufficient to mobilize Public Hospitals to implement accounting change. However, this proved to be a naive approach taking into account the complexity of the reform process. More specifically the search phase resulted in a ready-made rough solution applicable to most public organizations and it was not customised for public hospitals.

This ready-made solution emerged as the initiative of different actors and as the quest for authority and control over the process of accounting reform. In practice, the SAPOPS had found significant difficulties in being implemented in hospitals. The reasons for that could be the lack of well-trained accounting staff in hospitals and probably some resistance to change due to the uncertainty caused to employees by the change. The deadline for the implementation of the Presidential Decree 205/98 regarding accrual

accounting expired at the beginning of 2000 and only a minority of Public Hospitals complied.

It became obvious that the unfruitful efforts for adopting the accounting reform in Greek Hospitals differentiated both the plans and the way of implementing them. Feedback from difficulties in strategy implementation led to the re-formulation of the strategy (Mintzberg 1978). The Minister of Health was the actor who sponsored the re-formulation of the strategy. While in other areas of the Greek public sector (e.g. Public Universities) the initiative of the Ministry of Finance for accounting reform was not perceived with enthusiasm (Venieris and Cohen, 2004), the Minister of Health welcomed this prospect. He set the implementation of the accounting reform and the introduction of accrual accounting in the Greek NHS as a major priority. Towards this direction the Minister of Health appointed a task force group that was named Project Management Team (PMT). This task group was formally authorized to implement the cash based accounting plan in hospitals. Two university professors of accounting, one professor of health economics, two certified auditors, two NHS managers and three representatives from the Ministry of Health, including the head of the ministry's financial department participated in that group.

The Project Management Team's first task was to write down the current situation in the Greek hospitals' cash based accounting systems as well as the characteristics of the existing information systems. On the basis of the analysis of the existing situation they made suggestions towards the developing of both the accounting and the information systems. Specifically, they proposed that a senior contractor should be appointed to implement and co-ordinate the process of the accounting change in the Greek NHS. The senior contractor should first study and ensure the uniformity of cash based accounts in use in all Greek hospitals. Second, develop a framework for analytically mapping the accrual accounts to the existing cash based accounting accounts. Third, provide and implement a detailed costing model. Since controlling operational costs was one of the main issues that initiated the accounting reform, an accurate and updated costing system was a sine qua non condition for its success.

After this initial phase, the senior contractor would have to select various local sub-contractors who would have to implement the accounting plan that satisfied the policy requirements described above in every hospital in Greece. Furthermore, the senior contractor would have to co-ordinate these sub-contractors and monitor their progress.

The PMT proposal also included an estimation of the cost required for implementing the suggested solution. The senior contractor was estimated to receive a budget while the sub-contractors ten times this amount. The project would be financed by both the Ministry's own funds for staff education and EU funds available for the adoption of modern information technology. While these proposals had a unanimous support from all the PMT members, according to the PMT chairman, disagreement was expressed from other parties. Specifically, another informal team, also organized by the Minister of Health in order to advise him on the accounting reform process, objected to the PMT's suggestions considering that the cost of the reform would be enormous and not justified. The members of this latter team thought that the suggested system was more detailed than needed, especially on the issue of costing accounting. They also purported that the existence of sub-contractors was the main reason for the high cost of the project, while it was not ensuring the goal of uniformity. Instead, the informal team was of the opinion that the proposed accounting plan (PD 205/98) for the public sector should be adopted with the support of a commercial accounting software used in the private sector.

The two advisory teams expressed their views in a meeting with the Minister of Health. Opposing views express differing rationales and could be a sign of the existence of varying stakes behind the suggestions for accounting reform (Pettigrew, 1985). These opposing views and political pressures caused scepticism to the Minister of Health who decided to postpone his final decision for a while. It is not surprising that the appointment of the same duty to two different task groups would result in conflict and disagreement among them. At an attempt to move forward the Minister asked from the PMT to comment on the other team's views. The PMT presented to the Minister a 30-page report that

compared the two options and included comments. Even though this comparison could be considered as a step forward, five days after its submission the Minister resigned from the government. The reason was that the Minister's policies for reforms in many sectors of his responsibility faced serious resistance; the most notable resistance was evidenced from the medical staff.

A new Minister was appointed but the accounting reform did not seem to be one of his political priorities. As a result, the operation of the PMT was rather slowed down and finally ceased. Though the new Minister initiated a process of re-organising hospital's information systems, this was only partly linked to the vision of his predecessor. Thus, the actions of the new appointed Ministry of Health during this period signaled the stagnation of the discussions on the accounting reform. In 2003 an accounting plan especially designed for public hospitals (P.D 416/2003) was issued. This accounting plan has almost identical to the existing one for other public sector entities. After the publication of the Hospitals Sectoral Plan, a new deadline for accrual accounting was set. Public Hospitals should apply accrual accounting for the financial years beginning in the 1/1/2004. Cost accounting was obligatory from 1/1/2005 onwards. In 2008 the Ministry of Finance decided that existing accounting standards were not sufficient and the Public Hospitals should follow for the preparation and publication of accrual financial statements International Accounting Standards appropriately adjusted for the public sector (Law 3697/2008). However, the body responsible for preparing this set of standards had not produced them until the end of 2010.

5. The progress up to now

The analysis up to now has shown that the attempt to achieve an accounting reform in the Greek NHS has followed the three phases recognized by Mintzberg, i.e., identification, development and selection. In fact, the selection phase was repeated at least twice, once among similar past solutions and once by designing a new solution. Moreover, other, circumstantial not properly planned and executed attempts, to introduce an accounting change were evident in the chronicle described above.

The repeated cyclical approach in decision making through the three phases is logical and meaningful provided that there is a willingness not just to make the decision but to implement it as well. The repetition of the three phases is also justified in cases where later new information becomes available.

What is going to happen, however, when it is imperative that a decision to be implemented but it is not due to the political interferences of the stakeholders themselves? There are two possible answers to this question: either things will get better by themselves, so the action implementation is not necessary anymore or things will get worse and the next question is how much worse.

The case of Greece belongs to the second category. It is known that Greece is facing severe public debt problems that become evident by the beginning of 2010. These problems are not of course only due to the debts of the Public Hospitals. But on the other hand, first because the debt of the Public Hospitals is a considerable percentage of the national debt and second because the debt of the Public Hospitals has increased tremendously, it is considered as a crucial factor. Total (both private and public) health spending accounted for 9,7% of GDP in 2007 above the 2008 average of 9% in OECD countries (OECD, 2010). Public hospitals accumulated arrears to suppliers around 1.3% of the Greek GDP over the period 2001-2004 and 1.6% of Greek GDP for the period 2005-2008 that were eventually assumed by the government (OECD, 2009 pp.69). By the end of 2009 the arrears to suppliers by Greek hospitals was about € 5,6 bil. This amount approximates to 2,4% of Greek GDP (Budget 2011, p. 115). The corresponding expenses were not evident in the cash budgetary system. As there was not a formal integrated accounting accrual basis system for the follow up of the expenditure, it has become out of proportion and out of control. The national budget is expected to cover these arrears within 2010. As part of the necessary reforms that accompany the memorandum signed by Greece with the EU and the IMF the Minister for Public Health announced in October 2010 for one more time that the situation with the debts of the public hospitals will not be rectified unless an accrual basis accounting system is

introduced (The News, 6/10/2010). The first think announced by the new Minister of Public Health that took office just in October 2010 was a declaration that he would resign if the hospitals would not apply an accrual accounting system that could monitor expenditures and revenues, keep stock of the medicine and monitor hospital assets within the next 6 months from then. The severity of this declaration however sounds strange by taking into account that according to the former Minister of Health of the previous government 80% of public hospital had already an accrual accounting system in place by the end of 2009 (To Vima, 21/7/09). Moreover his predecessor within the same political party just one year before when she took office placed in the top of the Ministry's agenda the introduction of accrual accounting (Kathimerini 23/10/09). Therefore, it is not that the decision has not been made, but that it has not been implemented in practice regardless the legislature in place and the repetitive political declarations.

The reason that the provision for a new accounting system was not implemented could be found in the characteristics of Greek politics and its public administration, namely clientelism and populism. When personalistic relationships in a system exist there is distrust against standard procedures, impersonal control, and performance measurement. Since modern accounting systems offer a platform for state hospitals' performance evaluation and expenditures control, it is explainable why so many years little progress was made for the implementation of a modern accounting system in the Greek NHS.

6. Conclusions

This paper presents the unsuccessful efforts of accrual and cost accounting introduction to Public Hospitals in Greece through the prism of the theoretical framework of Mintzberg et al. (1976) of decision-making. The reasons that contributed towards that result can be better explained by employing a contextual approach as any decision process does not occur independently, but should be viewed as taking place under a specific environmental and organizational context. From the analysis

presented in the paper it is clear that the strategy of accounting reform in Greek Hospitals was poorly planned and executed. It is evident that it was conceived in a short-minded form, with little investigation of the effects of its application on the organisations involved and without profound reference to the problems and the contradictions that might occur. Also the absence of key people that could be dedicated to the project and would lead change was evident during the process. Difficulties of implementing plans for change resulted in the re-orientation of the change strategy. The reform plans, while being implemented interacted with the existing conditions and re-formulated the change strategy. Within this context every organisational actor tried to manage change in order to secure and promote partial interests. The result was that nothing happened, and politicians kept declaring the same accounting reform again and again without plausible results. Even though the technical characterises of the accrual accounting system embodied in the Sectoral accounting plans and the accounting principles changed several times, technical issues were rather the façade and not the core reason for the implementation delays. In 2010 only a small minority of hospitals had a full operational accrual accounting system.

As the problem of control over subsidies was temporary and artificially solved by other means, the strategy regarding expenditure rationalisation changed and the pressure for accrual and cost accounting introduction to Public Hospitals faded out. Regardless of this plasmatic view the financial problems of Public Hospitals not only remained but they were augmented throughout time as evidenced by the accumulated arrears. It is obvious that the key factors necessary for the successful introduction of change were not present during the implementation of the accounting reform in Greek Public Hospitals. The accounting reform has been attempted within a framework of time pressure and time constraints, political emphasis on short term results, lack of commitment to predefined goals, insufficient human and financial resources and incentives, absence of key people promoting the change as well as inadequate planning. Nevertheless, the last attempt of accounting reform has some good chances of succeeding as the driving force behind enforcement lies outside the strict greek

political environment and is part of the memorandum signed between Greece and its lenders.

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MASS CUSTOMIZATION STRATEGY USING INFORMATION AND COMMUNICATION TECHNOLOGIES

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ABSTRACT

Mass customization represents an organization's response to changed conditions in the environment and thus an attempt to build up a long-term comparative advantage by maximizing costs and differentiation advantages. In order to be able to respond to the challenges and requirements through the so-called hybrid strategy, the organization has to possess ICT capabilities, spontaneous contacts with customers, flexible systems of production and a well-developed logistics system; on the other hand, there must be expressed customer wishes for individually created products and services. This paper analyses the key elements of successful implementation of mass customization in on-line selling of goods and services, using web-based software systems as a development tool for small and medium enterprises in Bosnia and Herzegovina.

Key words: Mass customization, hybrid strategies, flexible production systems, competitive advantages

Introduction

Company's strategic aims are greatly determined by the altered competitive conditions on one side and opening up of new possibilities on the other. Changed conditions include dynamic, unpredictable and turbulent business surroundings, fiercer competition and faster development of information and communication technologies. It is noticeable that not only the life span of a product is shortened, but also the time needed for product development. Beside this, growing consumer demands are present, notably

in terms of demand for higher quality and lower prices. The consumer is no more an anonymous, average person. Moreover, consumers with better negotiating skills do not base their purchases decision solely on price; thus companies which opt for price strategies do not have valid terms for justifying their choices. However, thanks to mass production and saturated markets, companies cannot opt for differentiated strategies, either, for when a company chooses only one strategy its advantages on the market become limited.

Aside from the above mentioned changes, strategic aims and company success are also greatly affected by technological innovations. Due to new manufacturing technologies (more flexible manufacturing systems and computer integrated manufacture), today it is possible to simultaneously achieve high quality, flexibility and productivity – something unheard of in the past. Multiple information and communication technology potential significantly contributes to establishing and preserving relations with customers, as well as lowers transaction costs.

The aforementioned changes need to be considered as new possibilities, which are used to build and preserve the comparative advantages of a company. As a response to changes and challenges of the environment, the need arises for the so called "hybrid strategies", amongst which the most popular and best known is the strategy of mass customization. In the first part of this study, the characteristics of mass customization have been presented as a strategic answer to company's demands which arise in the dynamic and unpredictable environment. Here, a special focus is on mass

customization success factors, as well as the need for new information and communication technologies. The second part of this study assesses the usefulness and limits of mass customization strategy in Bosnia and Herzegovina. In conclusion, we will examine the current trend of Internet use in Bosnia and Herzegovina, notably its usage among ordinary citizens as principal buyers. This is especially important from the point of assessing the speed of customer communication, as well as establishing long-term relationships with them.

1. The Term and Characteristics of Mass Customization

The term “mass customization” comes from two almost conflicting terms: “mass production” and “customization”. The term was first introduced in 1987 by Stanley Davis in his book entitled “Future Perfect”, in which he illustrates this new concept through the example of a particular shoe industry. Significant contribution for the application of this term is given to B. Joseph Pine, who in his 1993 book entitled “Mass customization” published a research conducted at the Massachusetts Institute of Technology (Pine, 1993). Pine is considered to be the spiritual father of “mass customization”, and not just in theory but also in practice. According to Piller (1998, p 65), mass customization is a production of goods and services for relatively large markets, influenced by the needs of each individual consumer, with expenditure that closely matches the costs of mass production of standardized goods (products). Besides the fact that it contributes to a decrease in costs, “mass customization” adds to the creation of a flexible organization, and improvement of sales management (Piller and Ihl 2002, pp 9-13). By turning to the individual consumer, greater product attractiveness is achieved. The process of individualization and expenditures that do not exceed the costs of standardized products allow for long-term individual relations with each consumer (Heracleous and Jochen 2010, pp 66-76).

Long-term relations can be built only with consumers who are more than satisfied, i.e. thrilled. Customer satisfaction exists when tailor-made goods are produced (clothing, shoes, etc.), and when services offered make the consumer “really feel like a king”. In case these “customer attractions” are not fulfilled, they do not influence consumer satisfaction of the consumer, since he/she did not expect them in the first place. However, the existence of customer attractions adds to long-term connection between the consumer and the company, and adds to consumer loyalty.

1.1. The Key Factors for the Success of “Mass Customization” Strategy

Individual mass production represents a safe way of placing a variety of goods in a certain market, and notably in today’s business frame. However, this type of production does not have the same positive effects for all types of activities, namely for all types of products (Piller 2006). Therefore, a company needs to research whether individualization is possible and whether its manufacturing capacities are suitable for mass customization. Research needs to include all available manufacturing techniques within a company, existing market relations and customer demands. Firstly, the company management needs to analyze the possibility of the company to satisfy all individual wishes and need, and secondly, company’s ability to control the costs.

The functioning of mass production for individual consumer is impossible unless the company has:

All the information and communication techniques, and direct contacts with a consumer in order to gather specific information;

Flexible manufacturing systems, due to which it is possible to manufacture a certain product based on the information from the consumer;

A well-developed logistics system, namely dynamic network of deliverers and distribution channels that enable the company to satisfy specific consumer wishes during the process of

manufacturing and delivering the product to the “right” consumer (Zipkin 2001, p 71).

1.1.1. Information

Information can be seen as the most important factor for the implementation of “mass customization”. Information is, if looked at closely, the basis for making a good value for the consumer. If the process of creating the value is divided into physical and information processes, than the latter is responsible for the manufacture for the individual consumer.

A “mass customization” strategy can be successful only if there is right amount of information and communication with the consumers (Barwise and Meehan 2011), and if both are efficient. Increased information and communication costs are the basic difference in comparison to the classic principle of mass production. No additional costs in the manufacturing need to exist, since the process itself is flexible. The situation is similar in distribution, where costs can be decreased due to existing distribution channels. From the aspect of costs, it is necessary to aim towards information gathering and processing costs.

The process of information gathering is as vital to the success of the company as it is difficult. Often, consumers do not know precisely what they want. There are consumers who are clear on their wishes, but due to numerous offers and great selection (shopping centers or Internet), they can become unsure. Mass customization also starts with classic marketing communication through newspaper ads, TV ads, which serves to inform the consumer about the offer. Furthermore, it is necessary to inform the consumers about the advantages of product individualization. When it comes to producer’s potential, it is also important to build consumer trust. This is achieved by direct communication with the potential consumer.

Companies should, during the process of information gathering, direct consumers to give exact details on their real wishes. In that case, it would be possible to reduce costs that are related to researching consumers wishes. Increased product individualization requires more information on consumers. That is why mass production for individual consumers is a complicated procedure, which requires information gathering (Leitl, 2011). In a system of mass production for individual consumer there are a number of ways in which information can be obtained: identification of consumer by name and address; list of alternatives amongst which the consumer can choose; registration of consumers’ body measurements for the clothing industry, etc. PC and the Internet are usually used for the first two types, while direct contact with the consumer is needed for the third.

Gathering and individualization of data are actually a first phase in the communication and information process. Data is then internally processed and can, if needed, be forwarded to the seller. After the goods are delivered, learning relationship between the manufacturer and the consumer is intensified. Therefore, any return of information from the consumer is of great significance whether it is in a direct (remarks, suggestions) or indirect form (consumer behavior, additional order).

1.1.2. Flexible manufacturing systems

Information gathered according to specific consumer wishes and requests can be turned into real products only if the company has a flexible manufacturing system. Development of such technologies can be very expensive and time consuming. From mid 80s, thanks to American scientists (Skinner, Wheelwright or Hayes) manufacturing is again seen as a central success factor for a company. The reasons for this were technological inventions and solutions that directly influenced the competitive abilities of a company. Compared to a classic dilemma between productivity and flexibility or quality, namely cheap standardized products made on

the conveyor belt or individual manufacture, new manufacturing technologies introduced greater variety at lower costs. It is necessary to state that in every industry only certain processes are flexible, meaning that only certain characteristics of products can be individualized.

Literature shows many types of flexible manufacturing technologies that can be grouped into two categories:

Speed flexibility: describes the speed in which the manufacturing system can react to changes of delivery time, scope or product variety. Only the time of redirecting the system to the making of new products falls under this level of flexibility.

Scope flexibility: describes the possibilities for the change of machinery to manufacture which are needed to create a new variety of a product, or any other good from that product line. This is the main flexibility within mass customization, used to determine the scope of product individualization (Piller 1998, p 242).

There are two ways through which mass production for individual consumers can be achieved: the mass manufacturer decides to individualize its present standardized manufacture. On the other hand, the individual manufacturer can organize its individual and costly manufacture more efficiently, and thus lower the manufacturing costs and win new market segments. Therefore, when it comes to "mass customization", we are not talking about individual manufacture but rather mass manufacture of individualized products. This is why it is always directed towards large markets.

1.1.3. Logistics and distribution systems

In order for "mass customization" system to function well, beside information gathering and flexible manufacturing system, direct product distribution to the consumer is necessary. Companies not only need to be agile, but also organizationally capable of cooperating with consumers, as well as with suppliers. Cooperation with suppliers as well as consumers (shops) enables the company to distribute risks

and costs, and reduce complexity. According to Rollberg (1996, p 53), the cooperation with supplier in the process of product individualization has the following advantages:

expanding the level of individualization (especially with complex products where company often does not have the necessary know-how),

speeding up the process (certain tasks can be performed simultaneously, both in construction and manufacture),

increase of quality and decrease of cost (one specialized supplier can not only produce certain parts and components faster and better, but also cost effectively).

"Mass customization" sets new requests towards distribution systems, especially when it comes to new forms of coordination. Compared to classic mass manufacturing that sees the store (not the consumer) as the primary consumer, mass customization aims at creating direct connections with the consumers. With modern information and communication technologies, namely web and the Internet, companies are able to initiate and maintain direct contact with consumers (Schulten et al. 2009). The reason for companies to create direct contacts with consumers and exclude the store is linked to the efficiency of information gathering and processing (information on consumers' wishes). It seems that the best option for a company is to have the direct contacts with consumers, without including the store. Including the store as the middle-man for consumers would only mean added processing and information passing costs, as well as store fees.

Regardless of these facts, there are situations in which it is far better for the company to follow the "mass customization" strategy and establish good coordination with the store through:

The existing network of stores enables the establishment of contacts with the consumers in a much more efficient way than it is possible through information and communication technologies. Many consumers do not want to shop only on-line. Besides getting the product, consumers want to feel the atmosphere of shopping.

The role of the store is especially important when the manufacturer does not want to build its own distribution network. Setting up contacts and gathering consumer data significantly increases cost, but it is important to underline that these costs can be avoided in the future.

Integration with the store is justified if the final manufacture of product is taking place at the delivery destination. Here, the accent is on a standardized product, where the wanted characteristics are added at the selling location.

The most important role of the store is the cooperation in the process of "Learning Relationships" with consumers. Consumer databases and experience gathered through serving "old" customers can be applied to "new" customers if mechanisms are set up to exchange findings between the "mass customizer" and the store, where mass customization is then given a significant support potential (Piller 1998, Schulten et al. 2009).

The outlined reasons conflict with theory that "mass customization" is most efficient if direct contact with consumer is achieved, without including the store. Just as the climate and the organizational culture of a company are last to change, the culture and comprehension of the market do the same. The move from the "old" to the "new – virtual" world calls for a certain time period, so the automatic exclusion of the store is not possible. Perhaps it would be best for the company (most efficient and effective) to include the store, but parallel to that set up a direct contact with consumer through information and communication technology (web and Internet).

1.2. Importance of Information and Communicational Technologies in Implementation of Mass Customization

Although, first company demands for the use of mass customization strategy were outlined in the early '90s, wide and practical implementation of mass production for individual customers began only recently thanks to bigger potentialities of new information and communication technologies. Information and communication technologies provide good information flow and competitive positioning of companies in the

changing market conditions. Besides, they represent a key assumption of the mass customization concept, and very important means of making individualized mass products (Schreier 2006). Though companies which follow other strategic commitments are faced with a need for data acquisition and processing, the problem is far more complex with "mass customizers", for the information size is surpassingly bigger with regard to individual producer. Hence, a mass customizer should attempt to simplify information flows.

The key task of IT technologies in mass customization is information supply and their availability, as well as precise specifications of customers who are in the right place and at the right time, in the whole process of the value creation. Taking account the orientation and costs of this concept, the information flow has to be flawless and integrated. Four main areas for using IT technologies for mass customization implementation can be distinguished:

Individual reference to customers, knowledge of customer demands, and product configuration for individual customer;

Information on product specification needs to be advertised with the aim of planning and organizing the production process;

Technical construction of production, as well as organization of multiple variant productions;

Build-up learning relationship and consumer know-how, which means memorizing, valuation and aggregation of all information about customers.

Product individualization does not merely mean individualization in the production process, but also marketing. The aim is to create individual product offer based on individual consumer preferences, i.e. individual product and service catalogues. Information on customers may improve the existing know-how. There are numerous discussion forums and mailing lists about all possible topics on the Internet, namely about all sorts of products and services (Kane et al. 2010, Bernoff and Schandler 2010, pp 22-32). It is important to maintain constant contact

between the interested parties and mass customizers. Maintaining relationships with customers must be efficient and convenient in terms of expenses; this, in turn, is achievable through the application of information technologies. Customer satisfaction is related to continuous information availability on his/her order, both during the ordering procedure and manufacture and distribution processes. The effect of ultimate experience is made by the possibility of on-line order tracking, and it contributes to the higher value for the customer.

When a customer decides to buy an individual product, he/she must make all the necessary specification of his/her wishes. This dialogue is taking place in a very short period of time, from several minutes up to couple of hours, if complex products are concerned. The level of interaction between the customer and the provider is determined through the characteristics of individual products. There are many factors that influence the level of integration of customers, such as the price of the product, the risk of catachresis bid, customer experience with product, complexity of the product, etc. The two levels of integration are possible according to the concept of mass customization. According to the first level, offered products may be designed in advance, i.e. process of individualization is given ahead. According to the second level, the process of configuration must be automatic. Customer self-service during configuration is only made possible through information-technical support, which means designer tools made by certain groups of software – product-configuration (Ihl at al. 2006).

The next step allows customers to visualize the finished product. This is done through the creation of „virtual“product sample. Customers should have the opportunity to see their product design, for only then can they be assured that the chosen configuration responds to their wishes. By doing this, high substitution costs are avoided, because there is a small possibility for reapplication. This is why the technique of virtual reality is used, i.e. artificial world created by the computer, in which the viewer can stay and act.

It is not only the capability to create and deliver a product at favorable costs that is important for the long-term success of mass customization, but a learning relationship must be also established with each customer. Here, the focus is on long-term learning relationships with the customers and mutual exchange of knowledge. In cases of returning customers, it is sufficient to give the already given individual information; thus, this process becomes rather simple. Simplicity in submitting new orders represents an important loyalty factor for the customer. The company has the opportunity to follow customer's habits, and to apply those findings when creating additional benefits for the consumer. The information collected is an important starting point for the future; after the average time of use expires (product's time of use) customers are addressed automatically. New trends and know-how about customers can be tracked thanks to the already collected information and knowledge about customers. Represented activities (measures) are the best and most profitable ways through which customers may establish long-term relations with a company. This differentiates profitable from less profitable customers. Important technologies which support these activities are interactive media for knowledge collection and development of as well as intelligent data banks.

2. Possible uses and limits of applying mass customization in Bosnia-Herzegovina

In order for the concept of mass customization to be properly applied, on one hand electronically supported production processes are needed (for they contribute to individual component configuration and assembling) while on the other the ability to directly communicate with individual buyers is absolutely essential. Moreover, this is the only way in which it is possible to assess individual customer's needs, and take the necessary measures to fulfill their wishes. The success of a company which applies the concept of mass customization significantly depends on customers' ability to use information and communication technologies. Therefore, companies must pay a great deal of attention to

analyzing these factors, since that will facilitate the justification for the use of the above mentioned strategy, as well as the possibility of applying hybrid strategies, or at least, create a possibility for the use of new selling channels (Internet, television and mobile phones).

According to a definition of the International Telecommunications Union (ITU), an Internet user is a person aged 16 to 74 who uses the Internet throughout the year. In order to better understand these terms, it is necessary to make a difference between Internet subscribers (including dial-up and broadband) and Internet

users (persons who log on-line or have Internet access). The number of regular Internet users does not equal that of subscribed Internet users. According to data provided by the Communication's Regulatory Agency (RAK) and its "Annual Survey of Users of RAK Permits for Supplying ISP Services in Bosnia-Herzegovina for 2009", the sample of 70 licensed Internet Service Providers in Bosnia-Herzegovina showed 399.329 subscribed Internet users. Unlike in previous years (2004-2007) when dial-up users were in majority, in 2009 the number of broadband users reached 73.1% of the total number of Internet subscribers. This is 35.5% higher than in 2008.

Table 1: The number of Internet users in B&H

Year	The number of Internet users	Index
2004	585.000	-
2005	805.185	137,64
2006	950.000	117,99
2007	1.055.000	111,05
2008	1.307.585	123,94
2009	1.421.540	108,71
2010	1.441.000	101,37

Source: RAK "Annual Survey of Users of RAK Permits for Supplying ISP Services in Bosnia-Herzegovina for 2009", extended for 2010.

The assessment of Internet users is based on a total number of subscribers. This can also be considered an evaluating factor in determining the level of Internet availability. The number of Internet users in Bosnia-Herzegovina is steadily growing. This trend is confirmed by the 2009 Change Index of Internet Users (108.71%). In Bosnia-Herzegovina, 20% of all users access Internet from Internet cafés, which places Bosnia-Herzegovina before all other countries of

Central and Eastern Europe. This is an important factor to consider when analyzing infrastructural development and service availability. Taking into account the data provided by the Internet World Stats, the penetration level in Bosnia-Herzegovina is 31.2%, which is the lowest in comparison to other countries of former Yugoslavia (except Kosovo), and in comparison to the rest of Europe.

Table 2: Internet Usage in Europe

EUROPE	Population (2010 Est.)	Internet Users, Latest Data	Penetration (% Population)	User Growth (2000-2010)	% Users Europe
Albania	2,986,952	1,300,000	43.5 %	51,900.0 %	0.3 %
Bosnia- Herzegovina	4,621,598	1,441,000	31.2 %	20,485.7 %	0.3 %
Croatia	4,486,881	2,244,400	50.0 %	1,022.2 %	0.5 %
Kosovo	1,815,048	377,000	20.8 %	0.0 %	0.1 %
Montenegro	666,730	294,000	44.1 %	0.0 %	0.1 %
Serbia	7,344,847	4,107,000	55.9 %	926.8 %	0.9 %
Slovenia	2,003,136	1,298,500	64.8 %	332.8 %	0.3 %
TOTAL Europe	813,319,511	475,069,448	58.4 %	352.0 %	100.0 %

Source: Internet World Stats, Internet Usage in Europe, <http://www.internetworldstats.com/europa2.htm> (Accessed 17 January, 2011)

Internet users are primarily the youth, from 15 to 24 years old, university and high school students, which make up about 84% of global network users in Bosnia-Herzegovina (www.biznis.ba, accessed 08. 02. 2011). Research conducted by GfK BH shows that Internet use is lowest among the retired population, only 4%. According to research data published by GremiumAudience, 31% of Internet users in Bosnia-Herzegovina, make on-line purchases using national and foreign websites. In comparison, 33% of all internet users in Croatia make on-line purchases several times a year, while 37% Slovenians does the same. In the age group of those younger than 34, 71% of all bh. Internet users make on-line purchases several times a year, while the oldest (55+ years old) is still hesitant about these trading channels. Only 2.5% of the oldest users use on-line stores several times a year (www.instore.ba, accessed 08. 02. 2011)

Limitations or obstacles to on-line shopping are those that regard problems of on-line transactions, customer fear for their financial

security, as well as people mentality. Despite the above mentioned facts, it is true that Internet users in Bosnia-Herzegovina are an attractive and growing new market. Taking into account the dynamic changes and the above data, companies in Bosnia-Herzegovina cannot underestimate the growing segment of this market. In the beginning, firms could use Internet to inform potential buyers, make contacts and sell existing products, as well as start developing tailor-made goods. The next step, which in these countries is still at its initial phase, is the creation and implementation of hybrid strategies (mass-customization strategies). Finally, intensive communication with potential customers should be directed at mobilizing buyers in the process of creating new products - open innovation (Chesbrough 2011, Bilen 2011).

Conclusion

Turbulent and sudden changes in the business environment of companies, conditioned with

developing globalization and dynamics of technological changes, including the increasing demands and forceful negotiating power of customers, have introduced different criteria of company success.

Methods that companies use to deal with changes in this environment directly impact its competitive position on the current and future markets. In relatively stable and foreseeable environments, companies have more chance to build up comparative advantages, notably by pursuing strategies of cost leadership and differentiation. Companies that are able to produce cheap, high quality products will be far more successful than those who are only able to produce at lower costs or to achieve the position of differentiation. In order to succeed on a long-term basis, a company should not blindly follow one system of production, one concept of behavior and strategic steering, but be able to create a new system according to changes market and competition conditions. The strategy of mass customization is the answer to companies which face changing economic conditions, which are characterized by a simultaneous alteration of the two, by Porter, incompatible alternatives.

In order for the company to be able to offer a mass customized product for an individual customer, it is necessary to possess developed systems of collecting information, flexible systems of production and processing, as well as logistic and distribution. Apart from the aforementioned key factors for mass customization strategy, this strategic steering will be justified only if company is able to satisfy the individual desires of customers, while, at the same time controlling costs. The application of the mass customization strategy is possible thanks to the growing potentials of IT technologies, whose application extends from establishing the contact and finding out customer's wishes, through construction and monitoring of production and delivery phase, to development of learning relationship with customers.

The success of this strategic choice is greatly dependent upon customer's ability to quickly and directly communicate with the supplier. Internet is an extremely effective and efficient communication channel. Thus, when constructing mass-customization strategies companies must consider the use of Internet and the user population. In Bosnia-Herzegovina, younger users are a natural choice, since they adapt more easily to new trading channels. Moreover, this category of buyers is proactive and creative, requests unique products and is ready to participate in product design tailored to their own demands.

The above mentioned activities contribute to a common goal of establishing long-term relationship with customers. Companies in Bosnia-Herzegovina need to accept the advantages of this type of business, and to, through new hybrid strategies, create new development opportunities, and avoid obstacles of the dynamic and turbulent business environment.

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THE INFLUENCE OF QUALITY PRACTICES ON BH COMPANIES' BUSINESS PERFORMANCE

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ABSTRACT

This paper analyzed relationships between quality practices and business performance in Bosnian and Herzegovinian (BH) companies. The main goal was to measure the impact that quality dimensions: employee management, process orientation and customer orientation, have on business performance and the differences between the manufacturing and service sector. If firms' focus is correlated with customer needs and requests, these dimensions will improve customer satisfaction and thus create positive influence on business results.

Business results are represented by financial and market performance, and by integral dimension consisted out of: improvement of the business results, efficiency of the organization and utilization of the resources and business. Main findings of the research are that process orientation dimension has the highest influence in manufacturing/trading firms, while service firms can accept it, in certain circumstances, aiming to increase efficiency.

Service firms have to take into account services specificities and if it is in line with the requisites and preferences of customers, it will affect the business results positively. If service firm doesn't have strong processes, it must focus on the employee management, as the key resource of providing services to customers and creating customer satisfaction.

Key words: employee management, quality management, marketing services, customer satisfaction, business performance

1. INTRODUCTION

Many researches in the last couple of decades examined the quality management practices in companies. Vast majority of studies are focused on manufacturing companies, and there has been a focus on services in the past period too. However, there has been a little research comparing the quality management practices in manufacturing and service companies (Prajogo, 2005).

Regarding the methods, the well-known total quality management (TQM) model is now implemented in most of the production industries worldwide. On the other hand, service companies, often turn to the different type of models, for example, the concept of SERVQUAL (Zeithaml et al, 1990; Buttle, 1996).

There are important findings in literature that proved quality management can generate competitive advantage (Reed et al, 2000; Nilsson

et al, 2001) and improve business result and performance (Hendricks and Singhal, 1997; Lemak and Reed, 1997; Samson and Terziowski, 1999; Nilsson et al) in company.

Although there are different discourses on characteristics that are defining specificities of services: (a) four, (b) five, (c) six or more (Parasuraman, et al, 1985), the fact is that these specificities do not appear in all kinds of services nor in the same degree, when it comes to different target markets services are provided on. Woon (2000) suggests that some service sectors have similar model of operations or processes to manufacturing, termed as “manufacturing-oriented services” (also known as mass services).

On the other hand, categories mostly influencing service companies characteristics and causing the „service gaps“ are referring on: (a) specific role that employees have in the service process, (b) mutual activity of employees and customers in order to create the value, (c) presence of the customers on the place services are provided on and their participation in the service process (d) the fact that customers are assessing the quality of service output and services process, as the key dimensions of perceived quality and (e) mutual conditionality between the perceived quality and customers satisfaction and their influence on the business performances of the service firms.

From the abovementioned, it can be concluded that key phases of organizational management directed to delivering quality services, customer satisfaction and business results are:

employee management, that is, internal marketing as the part of the marketing that „prepares “ employees for the role they have in the service process,

service process management, management of interaction of employees and customers, with promises fulfilment as a main goal, and

expectancy level management, and by that, perceived quality management, based on the needs and wishes of customers, that is, appropriate orientation towards customers.

This paper analyzed relationships between quality practices and business performance in Bosnian and Herzegovinian firms. The main goal was to measure the impact that quality practice dimensions: employee management, process orientation and customer orientation, have on business performance and the differences between the intensity of that impact.

2. QUALITY MANAGEMENT CONCEPT

There is no unique meaning of the quality and quality management concept. Marketing always stress short definition of quality as “customer satisfaction and loyalty”. From the functional perspective, “Fitness for use” is alternative short definition (Gryna et al, 2007, p. 10). However, there are some definitions that are common to majority of people as well as by scholarly thinkers and gurus of quality: (a) Philip Crosby mentions quality as “conformance to requirements” and only performance standard is “zero defects” (Gryna et al, 2007, p. 10). (b) W. Edwards Deming’s (1986) definition of quality goes as follows: “Quality is Continuous Improvement through reduced variation.” (c) Joseph M. Juran gave the notion: “Quality is the fitness for use.”

But, if we moved to the service area, defining service quality concept is even more challenging. From the very beginning, a) there are no tangible dimensions, customers can evaluate, b) their needs and wishes are changing from one service point to the other, c) there are a lot of differences between customers and their requests depending on the situational factors, perception of firm’s image, level of perceived risk (Goncalves, 1998)... However, authors define service quality as the possibility of the service firm to fulfil promises had sent to the customers

in the pre-purchase phase or possibility to deliver services as the customer expect.

Other authors are advocating that more principles should be included in the conceptualization of quality management. For example, Dahlgaard et al (1998) include five principles of quality management: a) management commitment, b) focus on the customers and the employees, c) facts, d) continuous improvement and e) everybody's participation. This structure is more acceptable for the services area, since include employees and management from the firm's side. As we already mentioned, both categories are extremely significant in the process of value creation for the target market. On the other side, employee management is the precondition for successful business (Heskett, 2002). Process management issue could be bottleneck for quality perception, especially for high-contact services. Since customers participate and influence service encounter, there is no way to exclude them from the problems arising at the service factory.

For the purpose of this paper focus is on the three core principles of the quality management: employee management, process orientation and customer orientation. These practices are included in almost every description of different quality principles, as far as we know, given them central role in the quality movement. Furthermore, they span several dimensions of the concept of quality management (Gustafsson et al, 2003). They used the framework that will be implemented within this paper.

2.1. Employee Management and Business Results

Employee management as the quality management domain is extensively covered in management theory. There are two different approaches to performance appraisal and compensation, reflecting the controversy whether

person or system factors are the primary influence upon performance (Waldman, 1994). Traditional human resource management research (and practice) emphasizes the impact of individual differences (i.e., the person) on performance and assumes that the assessment of individual differences in performance is meaningful.

Service employees are more important than manufacturing, for successful business, because they are often in interaction with customers. It means that their attitudes, ability to manage conflict situations and to respond to the specific customers' requests or prevent mutual conflicts (Bitner, 1992) will be directly reflected upon the customers' perceived quality of the service process.

This part of the employee management is realized through internal marketing, wider concept comparing to the human resources management (McColl-Kennedy, 2002). Application of the internal marketing concept will ensure prerequisites for the successful realization of the service process and for the customer satisfaction (Grönroos 2006). Finally, management attitude towards employees will stimulate their dedication towards the specific orientation within the firm – process orientation or customer orientation.

Employees' attitudes and commitment, interaction and communication between employees and customers ensure more information on the customers' requests and wishes, as well as achieving a customer focus goal. These will positively affect business results through: a) increasing efficiency and cost reduction and b) increasing effectiveness and customer satisfaction and c) increase market share. Based on the abovementioned, following hypothesis is set:

H1: Employee management (through internal marketing) has positive influence on the business

results, in the form of (a) financial and (b) market ones.

2.2. Process orientation

Process orientation is second quality management principle we discussed in our research. High contact, as one of the service characteristics (Parasuraman et al, 1985, Lovelock, 2000) „brings“ customers in the „service production process“. It makes the process by itself and all the surrounding elements visible to services consumers and by that the integral part of customers assessment (Grönroos, 2000 and 2006; Zeithaml et al, 2000). Except for being present during the time of service providing, playing active or passive role, customers struggling for service process control with the employees (Bateson, 1985). That means that direct conflict between employees and customers appears through the endeavouring for assurance of the service process control. At the same time, both groups are in conflict with the service firm management, focused in trying to maximize the business efficiency through procedures and processes.

Škrinjar et al (2008) concluded that higher levels of business process orientation lead to better financial and non-financial performance. Furthermore, it has been shown that there is a strong direct impact of BPO on non-financial performance. On the other hand, no such impact has been found between BPO and financial performance. It has been shown that BPO has a strong indirect impact on financial performance through non-financial performance.

H2: Process orientation has positive influence on the business results, in the form of (a) financial and (b) market ones.

2.4. Customer orientation

Customer focus in quality management obliges organizations to deal with such issues as assessment of customer expectations and organizational performance in meeting them, customer relationship management, and commitment to customers.

The service literature offers customer-focused treatments of organizational theory (Mills and Morris, 1986), organizational behaviour (Bowen and Schneider, 1988); operations management (Chase, 1978, 1981), human resource management (Schneider and Bowen, 1992), and strategic management (Nayyar, 1990). QM-type perspectives on customer relationships can be found in the ideas of establishing relational markets under conditions of goal congruence (Bowen and Jones, 1986), managing customers as "partial employees" in the co-production of the services they consume (Bowen, 1986; Mills, Chase, and Marguiles, 1983; Mills and Morris, 1986), involving customers in the design of organizational practices to gain their commitment (Ulrich, 1989), and exchanging emotion and contesting control in the employee-customer encounter (Rafaeli, 1989a,b; Rafaeli and Sutton, 1990). Overall, though, research on customer satisfaction remains in the domain of marketing, in which recent work has attempted to differentiate between the constructs of customer satisfaction and customer perceptions of service quality (Oliver, 1993).

H3: Customer orientation has positive influence on the business results, in the form of (a) financial and (b) market ones.

2.5. Customer satisfaction

Fornell (1992) enumerates several key benefits of high customer satisfaction for the firm. In general, high customer satisfaction should indicate increased loyalty for current customers, reduced price elasticity, insulation of current customers from competitive efforts, lower costs of future transactions, reduced failure costs,

lower costs of attracting new customers, and an enhanced reputation for the firm. Increased loyalty of current customers means more customers will repurchase (be retained) in the future. If a firm has strong customer loyalty, it should be reflected in the firm's economic returns because it ensures a steady stream of future cash flow (Reichheld and Sasser 1990). The more loyal customers become, the longer they are likely to continue to purchase from the same supplier. The cumulative value of a loyal customer to a firm can be quite high.

Reputation can provide a halo effect for the firm that positively influences customer evaluations, providing insulation from short-term shocks in the environment. Customer satisfaction should play an important role in building other important assets for the firm, such as brand equity (Keller and Aaker, 1992).

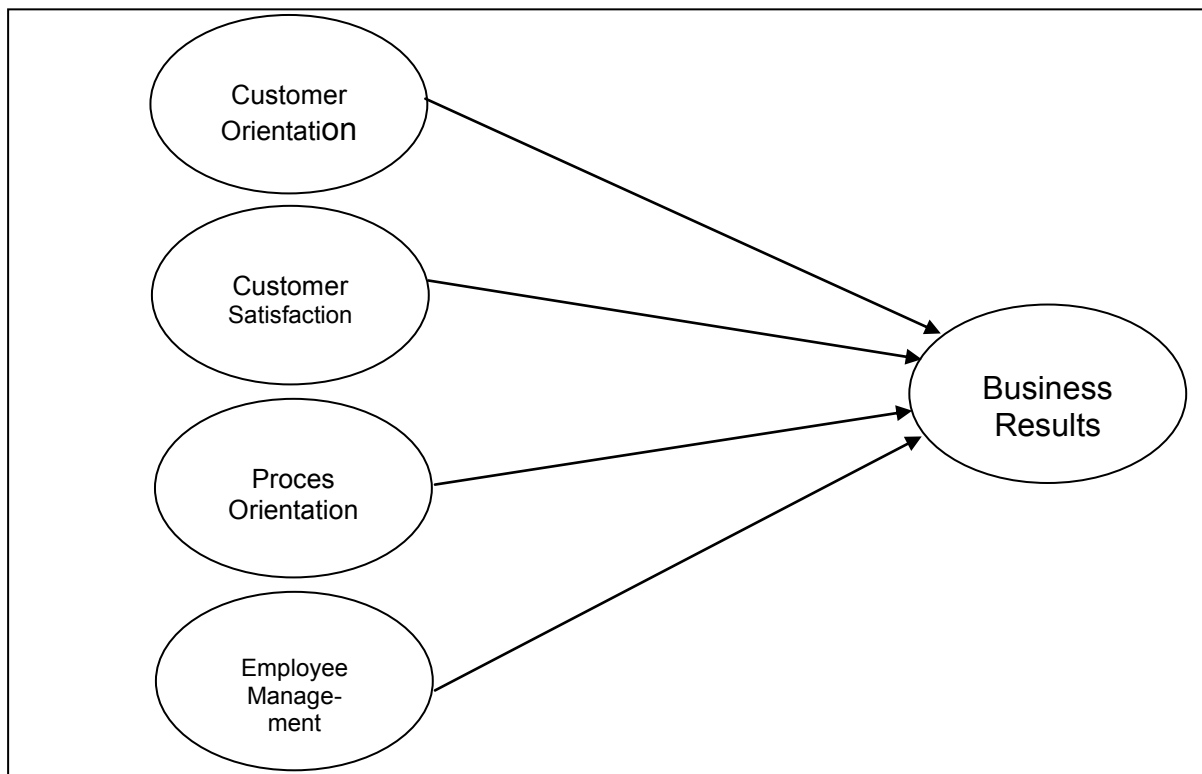
Although there are many compelling reasons to conclude that higher customer satisfaction leads to higher profitability, it is, nevertheless, not

always the case. At some point there must be diminishing returns to increasing customer satisfaction. There is also evidence that conformity to specifications is not as important in determining overall customer satisfaction as the design of a product or service in meeting customer needs (Anderson and Sullivan 1993).

Intuitively, customer satisfaction and market share might be expected to go hand in hand. Buzzell and Wiersema (1981a, b) find relative quality and market share to be positively related for firms in the PIMS database, though work by Szymanski, Bharadwaj, and Varadarajan (1993), suggests this may be the case only for PIMS data or when the employed methodology does not control for "unobservable". The same type of relationship might be expected for customer satisfaction.

H4: Customer satisfaction has direct positive influence on the business results, in the form of (a) financial and (b) market ones.

Figure 1 Framework for quality practice



In Figure 1 the framework and model for quality practice that is used in this study is illustrated (adapted on the basis of the research of the Gustafsson A. et al 2003). The model consists of the previously described variables. Framework principles are operationalised through a number of concrete questions at an organizational level as can be seen from Figure 1 (see Appendix). In 2003, Gustafsson et al. conducted this study taking into account Swedish organizations. Our paper is examining same variables, with slightly changed and adapted questions on the level of B&H service firms.

Model suggests that process orientation and employee management directly affects the business result. On the other hand, process orientation has stronger influence than customer orientation, if applied marketing strategy based on efficiency. In both situation if strategies implemented correctly, customer satisfaction have positive results on business results, financial and market.

3. RESEARCH METHODOLOGY

3.1. Survey instrument

The survey instrument was a questionnaire sent to the CEOs and high-level managers of different B&H firms from March to September 2010, via e-mail. Questionnaire was divided in six parts and included 38 items. First five parts were scored with five point Likert scale from "completely agree" to "completely disagree", see Appendix. Sixth part was containing categorizing variables for the firms. Part one was focused on employee management and it was consisted out of five items that are measuring these processes in firm. For the paper we used just part of the results comparable with the original ones.

Process orientation, as a second part of the questionnaire was backed with four items. It was followed by customer orientation and customer satisfaction sections, both presented also through four items. Fifth part of the survey included responses towards seven items representing business results.

For categorizing firms, several variables served: type of business, number of employees, revenues, market activity, type of ownership, number of products, number of customers and ways of measuring customer satisfaction.

3.2. Firm sample

This survey was sent via e-mail to the firms in Bosnia and Herzegovina formally implemented quality management procedures and announces it publicly. The response rate was 31% that is 58 valid questionnaires returned. This is really common situation when B&H economy subjects are the target, since they announced less information about their management and business policies and results. Researchers' findings on the average managerial response rate (Frohlich, 2002) are approximately 32%.

3.3. Estimation method

As the firm sample is relatively small we used Ordinary Least Squares (OLS) model for our estimation. Independent variables within the model are factors extracted through Principle Components Analysis (PCA) while as dependent variables factors that are representing business result in different ways are used.

In order to rate estimated models, series of diagnostic tests were applied, in compliance with the regression model assumptions. Models assumptions and hypothesis are not rejected on the conventional significance level of 5% in all

models. In addition, by the appliance of Variance Inflation Factor (VIF) diagnostic test, no presence of multicollinearity in estimated models is identified.

Accordingly, diagnostic tests of OLS estimation are allowing the interpretation of the regression results as presented in Table 1.

4. RESULTS

Regression results are presented in the Table 1. They are representing analysis influence employee management (EM), process orientation (PO), customer orientation (CO) and

customer satisfaction (CS) influence on business results (BR). Business result is represented by and market share, efficiency of the organisation and utilisation of the resources. Control variables for the modelling are company size and type of business (production or services).

Research findings are comprised out of three models. First model (Model 1) tested just the influence of quality management instruments on business result. Second model (Model 2) included company size as a control variable, with the same goal as first one. At last, third model (Model 3) controlled the influence of quality management instruments by differentiating manufacturing (production) from service companies. Last model is the most important for this research as its main goal was to compare situation in production and service sector.

Table 1 Regression results

	Model 1	Model 2	Model 3
EM	0,049 (0,156)	0,042 (0,158)	0,052 (0,167))
PO	0,475*** (0,136)	0,467*** (0,139)	0,463*** (0,141)
CO	0,035 (0,131)	0,039 (0,133)	0,031 (0,138)
CS	0,309*** (0,107)	0,315*** (0,109)	0,319*** (0,112)
Company size		0,040 (0,107)	0,046 (0,111)
Type of business (production/services)			0,047 (0,216)
R-squared	0,51	0,51	0,51
Adj R-squared	0,47	0,46	0,45

Prob>F	13,687***	10,799***	8,843***
N	58	58	58

Note: Dependant variable is BR

*** Sign. 1%

These three models showed very steady trend and therefore confirmed its validity.

It showed that process orientation and customer satisfaction, with no significant difference between product and service companies are affecting business results. Employee management and customer orientation were not found significant, nor for manufacturing nor for service companies.

We found Process orientation has significant influence at 1% on the market share, efficiency use of resources, efficiency of business and business results measured with four dimensions presented in Appendix as BR statement. Customer satisfaction had significant influence at 1% on efficiency and business results, but influence at 10% on the market share and increased level of utilization of resources. That means the results show differences comparing to the previous research and theoretical precondition we started with.

Possible explanation of the results could be period in which the survey conducted. Since more than two years firms face significant influence of the recession and uncertainty for the future business, most of them had focused their efforts on cost reduction and increasing efficiency, instead of effectiveness.

As the consequence, managerial response of the many firms is represented through cutting of costs, through lay off of the employees in the first line, following the examples of the global market firms. Therefore, the fact that these firms are turning to the striving for the increased of efficiency should not come as the surprise,

because that is ensuring them better business results without additional costs, mainly linked to the customer orientation.

On the other hand, mentioned negative effects affected the customers too, that is, the demand for the different type and sort of services. They are now more interested in efficient services provided at lower prices – unified/standardised services, without much aberrations from the basic process. That is the reason why significant influence on business results improvement, measured through market share, efficient resource utilisation and efficiency level, had shown as the consequences of process orientation and customer satisfaction. By this, the second and the fourth hypothesis confirmed. Process orientation proved to be significant for customer retention rate and their attitudes regarding competition, measured by all market dimensions

4.1. Limitations of the research

Limitations of this research refer to the relatively small sample of the firms participated in the research and returned completed questionnaires. The fact is that this limitation affected the research methodology and the ability of testing additional factors of influence that could not be implemented.

On the other hand, recession and negative economic influence affected the mechanisms and instruments management have used to ensure better business results. Those influences forced them to focus more on business efficiency, through cost reduction.

5. CONCLUSION

Taking into account the characteristics of service businesses, as well as the fact that customers are often active participants of service processes and different focuses of process and customer orientation, firms with complex service processes can accept process orientation, aiming on increased efficiency. It will affect positively on the business results, measuring by efficiency and resource utilisation improvement, when their customers prefer efficiency.

However, when it comes to service firms offering high-contact services, then management must focus on the employee management, as the key resource of providing services to customers. Adequately, employee management have positive influence on the customer satisfaction and retention rate, both of them decrease the firms' costs. At the same time, it represents additional source of revenues, based on the cross-selling. To realize that firm have to accept orientation based on matching customer requests and companies resources.

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Appendix 1: Items that are measured in the research, for the variables: Employee Management (EM), Process Orientation (PO), Customer Satisfaction (CS), Customer Orientation (CO) and Business Result (BR)

Question	Description of measures
EM 1	The competence of employees is maintained and developed in a systematic way
EM 2	The employees participate systematically in the development of the business
EM 3	The factors that have a positive impact of employee satisfaction are defined
EM 4	There are goals for employee satisfaction, loyalty, turnover and absence
EM 5	Employee satisfaction is analyzed and the results are the target of continuous improvement
PO 1	Core processes are identified and documented
PO 2	The core processes are measured and evaluated
PO 3	Co-workers are continuously stimulated and motivated to participate in development and improvement of the core processes
PO 4	Cooperation between departments is focused on the key process performance
CO 1	The factors creating customer satisfaction are clearly defined
CO 2	There are systematic goals for customer satisfaction, loyalty and complaints

CO 3	Analysis of customer satisfaction is made and the results are followed by continuous improvements
CO 4	Customers are included in the process of new product/services introduction through the system of nomination, mutual influence and strong relationship development
CS 1	During the last three years, customer satisfaction has increased
CS 2	During the last three years, customer complaints have decreased
CS 3	During the last three years, number of customers that abandoned company has increased (% of the customer abundance)
CS 4	During the last three years, number of customers increased
CS 5	During the last three years, percentage of the customers that are dealing with company more than three years increased
CS 6	During the last three years, % new customers with reference to the total number of customers is increasing
BR 1	During the last three years, market share of the company increased
BR 2	During the last three years, revenues of the company increased
BR 3	During the last three years, profits of the company increased
BR 4	During the last three years, number of customers increased
BR 5	During the last three years, conditions of the company with the respect to the competition improved
BR 6	During the last three years, resources utilization improved
BR 7	During the last three years, efficiency of the company improved

Source: Gustafsson A. et al. 2003, modified and applied on companies in B&H

EMPOWERING COMMUNITIES IN THE 'BIG SOCIETY' - VOLUNTARISM AND EVENT MANAGEMENT ISSUES AT THE CHEETHAM HILL CROSS-CULTURAL FESTIVAL

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ABSTRACT

This paper advances the authors' earlier work on the theme of contemporary religious and cross-cultural festivals by examining management issues associated with mounting such events. Several UK cities are encouraging events based upon the religions and cultures of the diverse communities within their boundaries, aiming to develop further as visitor destinations but also to address social cohesion issues in areas which have experienced racial tension. However, while such events may indeed assist destination product development and act as instruments of social policy (Stone & Millan, 2010), their success is usually heavily dependent upon voluntary effort, volunteers being drawn from the various faith communities involved. Based upon primary research conducted at the 2010 Cheetham Festival in Manchester, UK, this paper examines event management issues associated with voluntarism. Volunteers often lack events management training and experience and, inevitably, their attentions are usually focused on

the 'day job' elsewhere. Volunteer enthusiasm often wanes after events, meaning that monitoring and evaluation may not be undertaken (Getz, 2005). The paper examines volunteer 'burn out', and makes reference to proposed strategies to improve volunteer satisfaction and retention (Gaskin, 2003; Downward & Ralston, 2005; Garner & Garner, 2010). Public sector bodies working for economic development and social welfare are generally very supportive of such events, but their priorities for resource allocation frequently lie elsewhere. Appropriate levels of resourcing, and volunteer management strategies, are essential to optimize the contribution of these innovative events to the new British government's 'Big Society' agenda of empowering communities to take action on locally-identified issues.

Key words:

Cross-cultural; Tourism; Faith; Voluntarism; Event Management

Introduction

The study focuses upon the innovative Cheetham Festival visitor event held annually in the Cheetham Hill district in Manchester, UK. This contemporary religious and cross-cultural festival is considered worthy of study because it is rooted within the diverse resources of religion and culture to be found of the Cheetham Hill

area. Numerous British towns and cities stage ethnic and cultural festivals, but most are monocultural in nature: very few attempt to stage cross-cultural celebrations similar to that at Cheetham Hill. This unusual event serves both as an informal and popular event attraction for local people and visitors, but also acts as an instrument of social policy aimed at improving social cohesion there. This paper advances the authors' earlier work on the theme of contemporary religious and cross-cultural visitor

events by examining management issues associated with mounting such events.

Manchester is a multicultural city, and the Cheetham area north of the city centre is particularly so. Cheetham has been the focus of successive waves of immigrants, each bringing their own religions and cultures, and part of the rationale for the festival is to celebrate the richness and diversity of the societies and cultures hidden behind run-down shopfronts and occasional patches of dereliction in a part of north Manchester which might not even be distinguished by passers-by as a discrete district. The area suffers from a high degree of social deprivation and occasional racial tensions, and one of the festival's purposes is to address peoples' lack of knowledge and even intolerance of each others' faiths, thus contributing to social cohesion and the reduction of inter-community tension. Staged annually for the past seven years, this small-scale cross-cultural festival involves the opening of several places of worship to the public over a weekend in September (Stone & Millan, 2010). The prime motive of most attendees is a wish to learn about other religions and cultures, and most would not normally have had any such contact with other faiths. Most people elect to visit venues of faiths other than their own, and even individuals declaring themselves as holding no religion or belief stated that they too enjoyed the event.

This paper examines some of the detailed issues related to such special events necessarily involved in empowering communities to take action, including event production and organisation with particular reference to issues related to the use of volunteers, financial resources, publicity and marketing, and relationships with the Big Society ethos.

Context: Academic Literature

Most of the extant literature upon volunteering at tourism-related and other events focuses on events in general, and sports events in particular; relatively little focuses specifically upon volunteering at cultural events such as the Cheetham Festival. The prime reason for this is perhaps because of the profile and popularity of mainstream sport, which generates enthusiasm

amongst individuals and groups happy to help meet the substantial level of demand for volunteers at many such events, and which in turn attracts research interest from academics. Recruiting and managing volunteers has become a key factor in the success of sporting events, and without volunteers many such events cannot run (Downward & Ralston, 2005). There is little available material on the exigencies of planning and managing visitor-oriented events with volunteers, a central part of the theme of this paper, however.

The academic literature upon volunteers at sporting events suggests that they exhibit numerous characteristics in common with volunteers in other contexts. Given the importance of volunteering to many events, some of the academic research in the subject field analyses the factors that motivate individuals to volunteer. Some of the key factors motivating volunteers' involvement with sporting (and other) events include:

- working with others, being part of a team
- perceptions of belonging to a community, reflecting a solidarity dimension
- personal development: improving employment prospects for some, addressing personal development for others; and
- social contact and friendship
- volunteering as leisure: a recreational activity associated with enjoyment

(After Downward, Lumsdon & Ralston 2005; Downward & Ralston, 2005; Henderson, 1984; Kemp, 2002)

It seems clear by extension that such findings may be yet more relevant for cultural- and faith-based events like the Cheetham Festival than they are for sporting events. In addition, it has been established that volunteers at ethno-cultural based events are strongly motivated by pride in

their culture and a desire to maintain ties to ethno-cultural groups (Saleh & Wood, 1998).

Volunteers identify strongly with event activities, and the more passionate each individual is in that manner, the more likely they are to sustain their interest in each event (Monga, 2006). The initial decision to volunteer is likely to be based on altruistic motivations, while repeat-volunteering decisions hinge more on relatively egotistic motivations (Winniford et. al., 1995). However, volunteers of all stripes frequently lack experience and need specific training so that they might contribute to the optimal development of their event (Getz, 2005); and even then it may be surmised that they might not be capable of performing their allotted duties with the level of competence which might be expected from professional staff. Another potential problem for event success may be volunteer 'burn-out', which may inhibit events developing to their full potential and even present a challenge to their long-term continuity (Gaskin, 2003; Downward & Ralston, 2005; Garner & Garner, 2010). This may particularly be an issue at events which, without sufficient resources to provide training to ordinary volunteers and event managers, necessarily rely on the accumulated experience of the volunteers of previous years to run successfully at all. Most volunteers are motivated and enthusiastic about running the event on day but, perhaps understandably, much less so regarding the organisation behind it, which is the task of the committee.

The Big Society

The British Prime Minister David Cameron launched an initiative termed the 'Big Society' in July 2010, the idea being that government should work to enable community engagement, empowering communities to take responsibility for local issues, and promote local innovation and civic action rather than acting in a 'top down, top-heavy, controlling' fashion (Kisby, 2010). Founded upon an ethos of social conservatism, a central element of this effort to initiatives designed to promote the public good and achieve

fairness and opportunity for all is the inculcation of a culture of volunteering, because the task is the responsibility of every citizen: 'We need to draw on the skills and expertise of people across the country as we respond to the social, political and economic challenges Britain faces' (Cameron, 2010). A major part of Cameron's declared political philosophy since 2005, the PM asserts that 'The Big Society is about a huge culture change, where people [...] in their neighbourhoods don't always turn to officials, local authorities or central government for answers to the problems they face but instead feel both free and powerful enough to help themselves and their own communities' (Kisby, 2010, op. cit.). Tangible measures to support the new policy direction are to include:

- support for the creation of neighbourhood groups across the UK, especially in the most deprived areas

- training provision for a new generation of community organisers

- support for co-ops, mutuals, charities and social enterprises

- a new Big Society Bank, which will provide new finance for neighbourhood groups, charities, social enterprises and other nongovernmental bodies.

(Cameron, 2010)

Study Methodology and Method of Working

The study was conducted in and around the Cheetham Hill district of north Manchester in spring 2010. In order to examine management issues associated with mounting contemporary religious and cross-cultural visitor events, a strategy was devised to collect primary data with the aid of a Research Assistant. Semi-structured respondent interviews comprised the key data collection technique, scheduled with twelve individuals closely associated with planning,

management and resourcing functions related to the annual Festival. Data of a mostly qualitative nature were collected, analysed using template analysis, and interpreted in order to explore, describe and explain the themes of the study.

Event Production – Management and Staffing

The Festival was conceived by representatives of the various faith groups in Cheetham Hill. It is organised, managed and delivered by the Greater Manchester Faith Tourism Group, an informal organisation with a multi-faith membership. The festival is linked to the North West Multi Faith Tourism Association, which aims to raise awareness of the diverse religious heritage of the English north-west, said to have the greatest diversity of faiths in the UK, and to make this heritage accessible through 'unlocking the tourism potential of sacred sites'. The NWMFTA is in turn supported by the former North West Development Agency, and also North Manchester Regeneration (of the city council). The NWMFTA and Marketing Manchester work towards a goal of developing the 'faith tourism' product with the long-term aim of attracting international tourist markets. Financial support for the Cheetham Festival's various constituent projects is sourced from North Manchester Regeneration amongst others.

Volunteers at the Cheetham Festival

The success of the Cheetham Festival is heavily dependent upon voluntary effort, typical for such non-profit events. The festival employs no-one, and all of those working there do so in a voluntary and unpaid capacity. Volunteers are drawn from members of the various faith communities involved to staff both the festival organising committee and to provide the various necessary visitors services over the weekend of the event.

The festival organising committee is made up of representatives of the various 'host' communities in the Cheetham Hill area of north Manchester.

Each of the seven participating venues is represented on the committee by a representative of their community. The key roles are those of chairman and treasurer, who together drive the efforts of the committee to organise the festival. Each member of the festival organising committee works in their free time to serve a cause they see as valuable and worthwhile; the success of the Festival depends heavily upon individuals' goodwill rather than the commercial motivations which underly more conventional events. The Cheetham festival committee's membership includes the Chairman, who ministers to members of his Anglican parish in Cheetham Hill; the Treasurer, who works as Educational Officer at Manchester Jewish Museum; and others include representatives from the Cheetham mosque and gurdwara. The work of the committee is mostly seasonal, peaking during the critical pre-festival period from May to September. Committee members are presented with an intense workload during over that period each year, but individuals are not always able to attend meetings because of the pressures of each of their 'day jobs'. The Cheetham Festival Committee is informal, and while its meetings are minuted committee members are not subject to election and the chair has no formal authority over individuals. That notwithstanding, however, the very fact that the Festival has been held annually for the last seven years indicates that such informal and ad hoc arrangements for the organisation and management of such a visitor event are sufficient.

Staff working over the festival weekend at each of the faith venues are drawn from their congregations and volunteer for various reasons including goodwill and altruism, and also a desire to explain their faiths to others and contribute towards social cohesion. The various faith representatives on the Greater Manchester Faith Tourism Group committee seem to experience no problems recruiting sufficient volunteers each year, and while visitors describe them as 'friendly', 'welcoming', and 'informative' many lack experience and no-one receives training in event management practices. Volunteer 'burnout' and retention seem not to have been significant issues for the operation of the festival

in recent years, although given the central importance of volunteering to the event's success volunteer management strategies for venue staff and perhaps the committee might be considered a priority for the future.

Shone & Parry's text (2004) outlines that the event management process requires a wide range of functions to be executed, including:

Setting objectives

Planning - to include budget, sponsorship, operational plan, logistics, health and safety and marketing

Organising, preparing and implementing the event

Divestment and legacy: close-down, cleaning, payments, evaluation, feedback and recording, site restoration and handover, monitoring and evaluation

(Shone & Parry, 2004)

Inevitably, the range of these functions which might be discharged at any given event is related to the resources available to the event organisers. Clearly, events mounted by informal and charitable organisations are likely to have far fewer available resources than commercial ones, and at the Cheetham Festival operational aspects of the event are discharged, while the processes of feedback, monitoring, and evaluation are not fully addressed. North Manchester Regeneration staff recognise the pressures under which the Cheetham Hill festival operates, and while they recognise the value of such post-event divestment and legacy functions there is a clear recognition that the informal group of volunteers which stages the event lacks the resources for these, and increases the possibility of volunteer 'burn-out'. One respondent stated 'All of us who are running it at the moment are wearing too many hats and have too many responsibilities'. The research has

shown that only so much can be asked from a volunteer-run event in comparison to what might be expected at a commercial one, however valuable the data thus generated may be to assist with future applications for financial support.

In contrast to many more conventional events, there is no budget to provide training for volunteers. Committee members have not been trained in approaches and techniques for event management or in skills for seeking sponsorship, and those fronting the event in each of the faith venues are similarly untrained. The informal nature of the event probably adds a great deal to its charm and appeal, and although inevitably issues may arise over health and safety issues and the possible need for trained first aiders, for instance, the local police and others provide discreet security services at some venues. In dealing with practical aspects of the event, interviewees made very little reference to the guidelines developed by the Health and Safety Executive for running events. One risk associated with the voluntaristic nature of the management of the Cheetham Festival is that its success relies heavily upon the input of a few enthusiastic, energetic and charismatic people. In the highly unfortunate event of some unpredictable mishap befalling one of those people, particularly the committee chair or the treasurer, it seems likely that Cheetham Hill's distinctive cross-cultural festival would cease to exist.

Financial Resources

Cheetham Festival is a relatively low-budget event which relies largely upon volunteer goodwill to run. The event is free of charge to visitors, including entry to the faith venues, cultural activities, entertainment, and food tasting. The 2009 Festival weekend cost six thousand pounds and the most expensive one about twelve. The chair of the festival committee submits an annual application to a range of public sector sources for financial support for festival promotion and operation. A proposal to

erect large hoardings advertising the event at each end of the main road through Cheetham Hill received much support amongst local residents, but the available budget was insufficient. The relatively low cost of the festival is a key reason for the continuing support of the public agencies. It is regarded as good value for money in the way it attempts to deal with issues of deprivation and social cohesion within the community in a limited though holistic manner, but there is a disparity between the extent of the problems of the Cheetham Hill district and the relatively limited scale of the resources devoted to one of the very few initiatives aimed at addressing them, however partially or imperfectly. Monitoring and evaluation data might enable objective judgements on the efficacy of the event in terms of both the visitor economy and social welfare and cohesion to be made. Previous research suggests the festival has potential to develop as part of the visitor economy given its attraction for visitors from outside Manchester (Stone & Millan, 2010).

Until 2006, publicity for the event was undertaken only by the Faith Tourism Group, whose limited resources meant that little could be done in practice. However North Manchester Regeneration had been planning to 'celebrate North Manchester's cultural diversity' as part of efforts to regenerate the district (Manchester City Council (Undat.) A Strategic Regeneration Framework for North Manchester. Manchester: Manchester City Council), recognised the potential of the Festival, and commenced providing financial support to the festival committee in that year. The Cheetham Festival is funded under the budget headings of 'economic regeneration' and - much more unusually - 'social cohesion', and is part of the City Council's wider social policies. Aimed at enabling the festival to be run, making it more attractive, and raising attendance levels, this financial support is provided for publicity and other purposes including covering the cost of the food and activities provided at the venues, and the cost of the free tour buses. North Manchester Regeneration funds 'put the glue in the mix to keep it all together', as one public sector informant commented. Despite this, several visitors surveyed in 2009 remarked that

they had only found out about the event indirectly: it seems that the event publicity could be further improved, although whether this small-scale event could withstand a significant increase in the number of attendees is a moot point.

In 2010, however, the marketing budget for the North Manchester area was reduced by over one-half, with potential implications for the Festival. One impact of the recent dramatic reductions in local authority expenditure in the UK may be that volunteer-led events such as this aimed at improving the quality of life of local residents in disadvantaged areas may downsize or even cease to be staged in future. In the event, funding was secured for the 2010 festival, but the prospects for 2011 are uncertain. Despite a statement that resources will be made available to 'manage the transition' in declining state support, whether relatively small-scale visitor events like Cheetham Festival be prioritised in the distribution of funds remains an issue. This is not such a novel situation for this and many similar informal events - funding for the festival has always been allocated on a year-by-year basis, with no guarantee in any one year that funds would be available in the next, which has meant that producing a long-term development plan for the event is difficult or impossible. As once-supportive external agencies disengage, then, the burden of staging an ambitious event aimed at addressing public goals in terms of both the visitor economy and social policy may fall increasingly upon charitable and volunteer effort.

In light of the economic climate, Cheetham Festival organisers may have to plan for lower levels of resources in future, along with many similar public sector-supported events. A considerable proportion of the current budget is devoted to the provision of free food and drink at the various venues, indicating an obvious area where economies might be made. Withdrawing provision would perhaps adversely affect part of the ethos of the event, because of the centrality of food and drink to most cultures and their connotations with welcome and the giving and receiving of something tangible. Also, several

festival visitors commented positively on the food and drink provided at faith venues. Sponsorship seems an obvious avenue to consider, sourced perhaps from groceries, restaurants and catering suppliers throughout Manchester, though the organisers of the event have little or no expertise in raising sponsorship or obtaining charitable grants. Instituting entrance charges at each faith venue would run counter to the general ethos of the event, and would also have implications for event publicity. The British national Heritage Open Days project, which provides valuable publicity via its web site and other means, and contributes nine hundred pounds to the event budget, but this is on the condition that venues do not levy admission charges. In terms of event marketing, the communication strategy is likely to move away from print-based materials – despite there being a perception that ‘certain communities respond better to print than to other means’ – and become more focused on web-based channels. Social media may offer another avenue, too, as might establishing firmer relationships with local print media. The option of making a small charge for food provided at each venue could also be considered.

Monitoring and evaluation will be even more important in future to support any case made for the continuation of funding. This is necessary for several reasons, not least of which being the need for local authority and other funding sources including the government English Heritage agency to justify any future allocation of financial support to the Festival. Amongst study respondents, the festival is generally regarded as providing good value for the public funds expended upon it, an investment which was characterised in a functionalist manner by North Manchester Regeneration officers as a ‘neighbourhood management tool’. The absence of event monitoring, evaluation and feedback is recognised as a weakness by both the public and third sector organisations involved. Structured monitoring, evaluation and feedback similar to that employed at other events in Manchester would enable public officials to ‘...[articulate] what difference is actually being made’ (Manchester City Council respondent). Linked to this, attention needs to be paid to developing an event legacy strategy over the long-term (Getz,

2005; Shone & Parry; Bodin et al, 2003) and recommendations for future editions of the event.

Cheetham Hill is a disadvantaged locale which is lacking in ‘social capital’ relative to other, more middle-class neighbourhoods of Manchester and the north-west region. If funding for projects such as the Cheetham Festival is withdrawn, the result may be that the communities of Cheetham Hill are yet more marginalised than at present.

The Cheetham Festival in the Big Society

The Cheetham Festival offers a prime example of coproduction in the delivery of public services by users and their communities, bringing together a wide variety of stakeholders in the public domain in a manner perhaps intended by the Big Society ethos (Bovaird, 2007). It is ‘radically decentralised’, addressing in its way ‘social recovery’ alongside economic recovery, and volunteering is a central pillar of the initiative. Manchester city council's recent response to the Big Society initiative is the ‘Be Proud: Love Manchester’ programme, the summer 2011 theme of which is Discovering Our Communities, seeking to encourage Mancunians to celebrate and enjoy their communities together and improve neighbourhood life, encouraging active citizenship as a mean of promoting community cohesion (Kisby, 2010) and perhaps social justice too. The city council is perhaps not the ideal channel to engage with faith communities in the way that the ad hoc Cheetham festival committee can, and one study respondent indicated that, if the council were to make some form of direct approach to one or more of the district's faith communities, ‘the community would be a bit reserved in their responses’. By virtue of being close to their constituents and, as part of the third sector, at one remove from local government and associated agencies, the organisers are seen as having the legitimacy and institutional independence to motivate members of the community to volunteer in order to deliver a successful event. The organisers’ perceived legitimacy and competence also enables them to deal with the council and other public bodies

which provide the majority of the necessary funding and access to the expertise of their marketing and design professionals. That said, it was interesting to discover that, while the coproduction concept seems a robust one, the chair of the organising committee declared that he maintained 'no dialogue [with] the policymakers'.

Other community events in north Manchester include several local 'In Bloom' projects, and more dynamic showcase events including:

an extreme BMX sports event in Blackley

the 'Crumpsall Carnival' and several other annual events there, and

the Mostyn parade, another seeking to address community cohesion in light of community tension in the district

- but the Cheetham Hill event is one of the few with the ability to gain the interest of visitors from outside the confines of the local area.

While it seems clear from the research findings that each of the various bodies and groups involved in the Cheetham Festival have differing priorities and opinions about the precise role and policy context of the event, in combination they are indeed taking responsibility for local issues and promoting social action in enabling a successful festival to be staged each year primarily via a culture of voluntarism, central to concepts of the 'Big Society'. The issue is the extent to which communities are empowered to take action, and the proposals to train community organisers and provide support for the neighbourhood groups and social enterprise including the new 'Big Society Bank' are welcome in this context. While voluntarism seems to work to an extent, the opinion amongst many respondents was that committee members cannot cope with any more tasks than they are undertaking at present. If the resources were made available for a dedicated member of staff

to be appointed, the event could be developed significantly, including perhaps increasing the number of annual events and also extending the 'multifaith tour' from one weekend in autumn to all-year operation including many of the faith venues around the city of Manchester, either on a self-guided basis or delivered by Blue Badge tourist guides. One interviewee suggested that a further development to overcome the issue of capacity constraints might be to hold an open-air festival in a public park to include faith tents, cultural events, music, food, and childrens' activities. However, this might detract from the uniqueness of the festival as being faith venue-based. North Manchester Regeneration clearly considers the festival to be valuable and to have potential for development alongside Manchester's other visitor-oriented events, but at the same time recognise that the likely scale of resources necessary are probably unavailable at the present time. There is also the feeling that, however much the development agency might enthuse about the prospects for the event, it is 'owned' by the Greater Manchester Faith Tourism Group whose membership seem content with their current informal festival offering.

The outcomes of this research seem to indicate that Big Society concepts are not necessarily applicable in all locations. The North West Multi Faith Tourism Association projected that the establishment of the Greater Manchester Faith Tourism Group would encourage similar initiatives all over the city, but in practice the only tangible outcome to date has been the Cheetham Festival. Where there is an absence of a coherent groundswell of concern about local problems, and dedicated individuals with the time and energy to spare to champion volunteer action to address social issues, the limits of voluntarism may be revealed, and particularly in more deprived districts. Also, while event volunteer motivations are typically driven by a pride in individuals' culture and a desire to maintain links with ethno-cultural groups, younger individuals tend to have a more peripheral involvement in such activities and are more motivated than 'core' volunteers by social rather than cultural factors (Saleh & Wood, 1998). If over the passage of time younger

volunteers cease to identify strongly with their parents' and communities' faith and culture, there may be ramifications for the long-term sustainability of festivals and events like at Cheetham.

Conclusion

The Cheetham cross-cultural festival is a celebration of successes in the community, one key one perhaps being the tolerance and understanding between some very disparate ethnic, social and cultural groups which enable the event to be staged at all. It is a small-scale event depending heavily on limited resources, staffed wholly by volunteers, and held in venues which are not primarily designed as visitor attractions. It utilises neighbourhood resources to bring visitors to a district of Manchester with precious few other attractions and simultaneously addresses social issues in a manner which could be copied in towns and cities elsewhere in the UK and abroad. Perhaps the Cheetham Festival, which originated as a genuine grass-roots initiative, is leading by example in showing how the Big Society can actually work, and that people can live great lives in great neighbourhoods. Appropriate levels of resourcing and volunteer management strategies are essential to optimize and continue the contribution of this imaginative event to the 'Big Society' agenda. The degree to which the festival contributes to social cohesion and inter-community acceptance and respect should be studied, but its success should not be weighed solely in terms of crude attendance figures: one informant made the point that 'You don't have to attend the festival: just knowing that there is a celebration of recognition is enough for some people'.

It seems clear that Cheetham Hill would be the poorer without its cross-cultural festival. Some interview respondents consider that this unusual event is at the early stages of its life cycle and, though modest in scale and impact at present, has substantial potential for development. Unless the Big Society is big enough to recognise the potential of this and similar events with the allocation of appropriate resources, the aspirations of the Festival will continue to exceed

the modest realities of its scale and execution. For the festival to continue to grow, volunteer management strategies may be instrumental to retain the dedication and motivation of the existing volunteers, and to provide the necessary knowledge and training.

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THE COMPETITIVE DEVELOPMENT OF FLOWERS AND ORNAMENTALS FIRMS THROUGH THE USE OF WEB-MARKETING STRATEGIES: A SURVEY IN THE CONVERGENCE OBJECTIVE REGIONS IN ITALY

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ABSTRACT

The growth of ICT, and in particular the integrated use of internet within firm marketing strategies, has brought about deep changes at both sector and firm level. Firm processes have been drastically modified in their communication and promotional aspects. In particular, firm-customer relationships are changing and therefore internet represents a preferential means, not only for transferring the firm image in the global communication, but above all in order to build a dialogue and a continuous interaction which contribute to consumers' fidelization.

This empirical research proposal is to be considered in the framework of "Business to Consumer" relationships and is addressed to the flowers and ornamentals firms of Southern Italy which have adopted internet as a means of communication and marketing.

The study has the aim to assess website quality of a random sample of firms by following the standard methodologies proposed in the international literature. These techniques allow researchers to evaluate overall quality through the perception of web users or privileged respondents (sector experts). The approach here adopted is the one proposed by Cox and Dale (2002); the authors analyze website quality and its capacity for achieving customer fidelization based on four criteria: website size and quality, capacity for supplying products and services, potentiality for inspiring confidence and fidelize the customer. Another factor is important, the

capacity of the website to contextualize information with reference to purchase or product consumption experiences (Ottimo, 2000).

In a globalised scenario where competitiveness in the international market becomes more and more a critical success factor, flowers firms of the Italian Mezzogiorno regions could draw market advantages from their presence on the internet with high quality websites.

Keywords: flower and ornamental plants firms, web-marketing, website quality, Convergence Regions.

1. Introduction

The development of Information and Communication Technology (ICT), especially with reference to the integrated use of internet in business strategy, has brought about deep changes in the economic sectors of the countries, and in particular in the enterprises which have modified their processes making significant changes, mainly in the fields of communication and promotion.

Internet is a supplementary communication tool beyond those traditionally adopted within firm strategies, and it plays a strategic role not only in the information management but also for the creation and management of close relationships with customers.

The importance of firm presence on the web might be highlighted by Italian situation, where web-users are over 30 million, with a 2000-2010 growth rate of 127.5% and with a 51.7% penetration index on the national population (Internet World Stat, 2010).

In a globalised scenario where competition on the international market is rapidly increasing due to the entry of new commercial competitors, the presence on the web and the contextual websites quality might provide good economic perspectives also to farms and, in the case study, to those farms working in the flower and ornamental sector.

In this scenario, the present paper aims to analyse, through the description of websites quality attributes, the web-marketing strategies implemented by a sample of flower and ornamental plants firms localised in the Italian Convergence regions (Calabria, Campania, Puglia, Sicilia and Basilicata), which use internet as a communication and promotion means in the context of a global marketing strategy.

2. The role of internet in the business strategy

The spread and the growing use of ICT has entailed deep changes in the productive and organizational structure of whole economic sectors, affecting process organization and management within firms, their marketing orientation and the behaviour of the same economic agents.

Internet, by now become part of the socio-economic reality of our time (Parisi, Lo Giudice, 2007), has modified and integrated the fundamental rules of marketing and distribution, producing large-scale changes especially in terms of communication and promotion, in an internationalisation perspective favoured by the overcoming of space-time barriers due to the Net.

Manthou, Matopoulus and Vlachopoulou (2005, p.447) state that the Internet-based applications in general changed significantly the way companies conduct business mainly in two ways: by facilitating and improving traditional business

activities and processes and by adding the “web” dimension for every company, giving birth thus, to virtual networks. In recent years, relationships between firm and customer have in fact deeply changed and Internet represents a key channel not only in order to manage information, but also to transfer the corporate image in the global communication. Moreover internet allows to build up a relationship through a continuous social interaction that concurs to consumers’ fidelization; so that it represents the ideal tool to implement relational approach (Dominici, 2009).

More recently, internet introduction in firm strategies has given rise to new marketing techniques, such as the Customer Relationship Management (CRM) and the Marketing one-to-one, both based on the individual contact and oriented towards customer satisfaction and fidelity, with the aim to offer goods or services suitable for needs’ satisfaction through a customized supply (Abidi, 2002).

Given the increased importance of information as a firm asset, in the last years a new marketing approach has become particularly prominent, that is the so called “Experiential Marketing”, which is absolutely needed as a new competence for the 21st Century Marketing (Kotler, 2002, Bucca, Scuderi, Sturiale, 2006).

The possibility of improving the commercial performances of firm is related to the enterprise ability of developing a stable and durable relationship with each potentially interesting customer. The strength of such relationship basically depends upon the degree of knowledge of the customer, and therefore on the information on the customer which the firm is able to gather, and that allow the enterprise to satisfy his/her expectations and to loyalize him/her. It is clear how in recent years information seems to have gained a strategic importance and it is important to note that from firms capacity of managing information and accumulating knowledge, and above all assimilating new technologies, a competitive advantage can result not only for single firms, but also for the productive systems of modern economies (Del Monte, 1999; Vescovi, Iseppon, 2002; Parisi, Lo Giudice, 2007).

The spread of internet and of more and more innovative Information and Communication Technologies (I.C.T.) has given a boost to many firms to enter the Net.

Firms use different web strategies according to their objectives: some of them just use internet as a simple communication tool, alternate or complementary to those traditionally utilised, some others diversify their sales channels in the virtual space and therefore providing the surfer with the possibility of making directly on the net some or all the transactions (from the simple enquiry to the sales order, up to the online payment). Harmel and Zghal (2007) claim that for each of these ones the communication or the distributional aspect can dominate and that hardly they can represent a pure strategy.

In either a case, the use of Internet provides good opportunities for firms - in particular for those characterised by a high innovation propensity - as it allows passing the physical limits of time and space, even if not always - as it is described in various papers - Internet improves the economic performance of the firms that use it (Quelch, Kleyn, 1996; Vescovi, Iseppon, op.cit.; Geysken, Gielsen, Dekimpe, 2002).

In the literature we can observe several studies, some of which already quoted in the present paper, which point out the importance of Internet and net communication for firms (Berthon, Pitt, Watson, 1996; Harmel, Zghal, op.cit.). In some economic sectors, presence of firms in the virtual space is rather common, as it occurs in the sectors of touristic, information and insurance products and in the leisure time - due to the growing diffusion of online games and bets - (Casaleggio Associati, 2010).

In the agro-food sector - and in particular with regard to the agricultural commodities - the presence of firms in the web has encountered obstacles of different kinds related to firm typology, to the operational difficulty of integrating modern infotelematic technologies in the firm marketing strategic plan, and finally to the characteristics of the agricultural products themselves.

The findings of several research carried out in different countries on the use of the information

technologies and Internet by firms of the agro-food sector highlight, in particular, a different degree of computerization and Internet use in the firms, affected by personal and business factors which lead to a wide technological gap among the firms, also within the same sector (Putler, Zilberman, 1988; Jarvis, 1990; Huffman, Mercier, 1991; Amponsah, 1995; Manthou, Matopoulou, Vlachopoulou, op.cit.; Bucca, Scuderi, Sturiale, op.cit.; Schimmenti, Galati, 2010).

3. Aims of the study and methodological approach

The topics dealt with in the present research is to be situated in the category of the Business to Consumers relations and is specifically addressed to the flower and ornamental firms that use internet as a communication and promotion means in the more general framework of marketing strategies.

Given that the presence of a firm in the net does not represent a success factor in itself, but that the website has specific characteristics - besides to appear in the main search engines - this study aims to analyse, through websites consultation, the main variables able to draw consumers' attention and to affect their choices. In brief, the paper aims to identify the whole set of characteristics which determines to a great extent the website quality and whose knowledge turns out to be extremely useful in order to plan out effective online marketing policies.

More in detail, the analysis aims to facilitate a better comprehension of the degree of learning and shift of business cultures brought about by the fast spread of the information and communication technologies and by the acknowledgement of potential and opportunities offered by the communication on the net, by its relational dimension, and therefore by the opportunities of integration of the new technologies in firm management. Moreover, the paper tries to highlight the possible differences in the web-marketing strategies implemented by the sample firms.

Assessment of website quality is not a simple task, as there are not few difficulties related to

the several variables which come into play and from which a plurality of approaches derive.

In particular, quality may depend on task-related factors affecting end users such as presentation quality and appeal, content and function adequacy, and navigability (Rababah, Masoud, 2010); also other factors play an important role, some of which related to website safety and trustworthiness, some others to the quality of the offered services (Pitt L., Watson, Kavan, 1995; Parasuraman, Zeithami, Berry, 1988), to the utility perceived by the user and to the perceived ease of use (Davis, 1989), which throughout combine to determine the overall website quality and from which the possible creation of a preferential relationship with the user descends, strengthening a fidelity bond that might drive him back to the website.

The survey, carried out in the period November 2010- January 2011, consisted in the recognition and surfing of 80 websites, of flower and nursery firms dealing exclusively or mainly with flowers and ornamental plants, identified through some specific portals such as www.proflora.it and www.florovivaismo.com and supplemented by websites drawn on other sources available on the most used search engines, and particularly on www.google.it, which is, according to the latest data provided by the Search Marketing Strategies (SEMS), the main domain visited by the Italian web users in 2009 (Loguercio, 2009), e www.virgilio.it.

The websites of the investigated firms do not represent just a sample but rather the whole statistical population of firms; according to PROFLORE, in 2010 the flowers and ornamental plants firms with their websites to be officially recognized are even lower than those here investigated. Consequently, the findings of the survey do not need to be extended to the statistical population through the techniques of inferential statistics, but actually describe the current scenario of the flower sector in the Italian Convergence Regions.

The attributes taken into account in the assessment of the overall websites quality were partly identified after a thorough analysis of national and international literature on the topics (Ottimo, 2000; Cox, Dale, 2002; Reix, 2003;

Bucca, Scuderi, Sturiale, op.cit; Dominici, op.cit; Rababah, Masoud, op.cit.; Schimmenti, Galati, op.cit.); subsequently they were integrated by new variables derived from a detailed study of the phenomenon.

The gathering of websites data was carried out by means of an "ad hoc" questionnaire, structured in 5 sections.

The first section, focused on the definitions of "context" and "clarity" of purpose, aimed to identify the typology of website (informative, showcase or e-commerce website). The second section plans to analyse the "content" of websites through a very detailed check of some variables such as size, adopted languages, information on business, on product typologies and offered services; with specific reference to the latter, particular attention was given to the online available information on product availability, purchase terms and conditions, right of withdrawal, payment methods, users login methods, personal data treatment, final destination of products and services, typology of firm certification, attendance of trade exhibitions, etc.. The third part of the questionnaire was focused on website design, that is its graphical presentation, surveying the presence of pictures relative to firm, products and services, of the map view, the features of the links quoted in the website pages, the possibility of carrying out search activity within the website, the presence of graphical animations, etc.. The following part of the questionnaire aimed to investigate the services offered to the user, such as the presence of FAQ, phone and fax number, toll-free number for information enquiries, a service for appeal receipt notes, a service for information enquiry, and yet the possibility of solving technical problems.

The fifth and last section of the questionnaire aimed to analyse community and users loyalty services, surveying the reserved access for registered users through User-ID and Password, the presence of a "my account" page, the presence of specific forum, chat-lines and links, the indication of special offers for usual surfers and the opportunity of website sharing on FACEBOOK.

These attributes, which on a whole give rise to the website structure, may interact in different ways in relation to some factors such as available budget, firm typology and the marketing-online strategies implemented by the firm itself.

4. Results

4.1 General aspects

The information gained while surveying the 80 websites - geographically distributed as follows among the firms of the Italian Convergence regions: 30 in Sicily, 24 in Puglia, 14 in Campania, 6 in Basilicata and 6 in Calabria - allowed to point out diversified web-marketing approaches followed by the flower and ornamental firms of the Convergence Italian regions. The main differences lie in the way of presenting the virtual space, in the information content on products and services presented through the web, sometimes inadequate in comparison to the growing "information" requirements expressed by the web-users.

4.2 Context

With regard to the website typology, the survey shows the massive presence of showcase websites among the investigated firms of Italian convergence regions, involving over 62% of the total sample.

This kind of website, through which firms present their own products and services without any immediate commercial purpose, offers nevertheless a relevant contribution in terms of brand strengthening. It seems necessary to point out that the investigated firms are in an initial phase of development with regard to online business, and therefore they use the website as a mere showcase, implicitly admitting that the possibility to drive commercial transactions directly on the web will be practicable only when resorting to specialistic skills. Online sales take place just in 6.25% of total cases (that is, 5 websites out of 80), and besides only two websites give users the chance to complete the

purchase procedure directly online. The remaining 31.25% of websites functions as an information website.

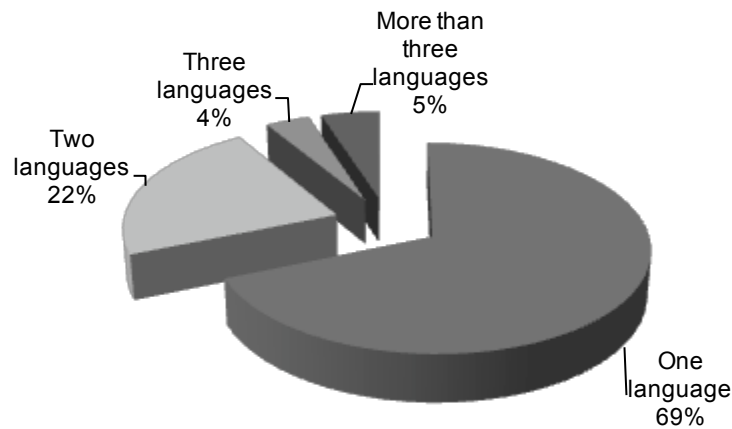
4.3 Content

In terms of website content and, more specifically with regard to their width, from the survey it turns up that a relevant proportion of websites (32 out of 80, correspondent to 40%) is structured in more than 10 pages. Websites articulated in an interval of 6 and 10 pages are less common but nevertheless frequent (25 observations out of 80, equal to 31.25%), and finally 1 to 5 pages websites are represented with a 28.75% percentage.

As already pointed out, one of the most important opportunities offered by Internet relates to an enhanced communication and promotional dimension due to the overcoming of the natural spatial boundaries. This allows the firms present in the virtual space to involve a higher number of users compared to those achievable through the commonly used marketing tools.

A distinctive feature is that these flowers and ornamental plants firms mainly address their communication efforts to Italian web-users, as it can be noted by the high percentage of websites (68.75%) exclusively available in Italian, opposed to those offering two languages, Italian and English (22.50%), the latter being considered the only alternative to national languages (Figure 1), in accordance with "Internet Usage and World Population Statistics", which states that English is the most used language in Internet, with over 536 million web-users (30th June 2010), representing 27.3% of the overall Internet population. Less than 9% of total websites offer a wider choice in terms of languages: 5% of websites are available in more than 3 languages, the remaining ones are displayed in three languages.

Most websites report a very detailed description of the farm activities (68 websites, correspondent to 85% of total number). Geographical location of firm is indicated in 70 websites, often supported by a virtual map, which is an important additional service to user, who can reach the firm base more easily.

Figure 1: The languages of web sites

Source: Our elaboration on surveyed data

In terms of product typology, the results of the survey show an extremely diversified supply including not only flowers and ornamentals products but also nursery and gardening material.

More in detail, among the ornamental plants - dealt with by all the firms investigated - trees and shrubs are predominant (in 61 websites out of 80), followed by leaf plants (44 websites, equal to 55%); it is, however, considerable the number of websites displaying in their showcases flower plants (33 cases), other ornamental plants, among which cactus plants (29 cases) and forest trees (16 cases).

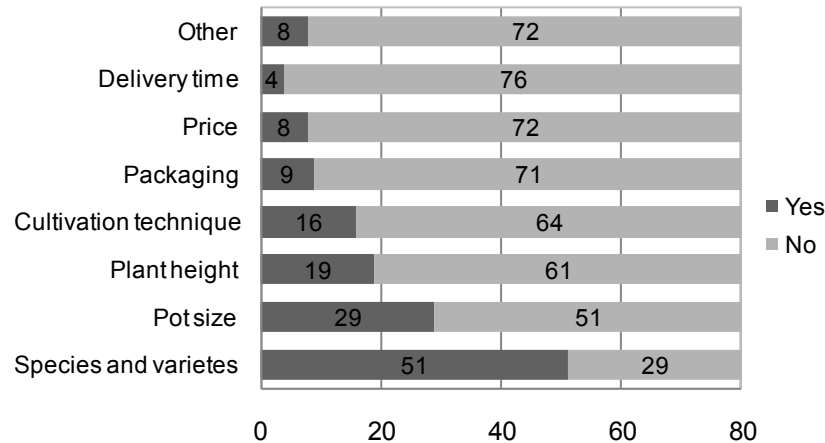
With regard to the same market segment of ornamentals, just 2 websites deal with cut flowers and foliage. An interesting result concerns the websites dealing with fruit trees (33 cases out of 80, equal to over 41%) and horticultural plants (just 6 websites).

A significant part of the examined websites (22 out of 80) offers other products, among which the gardening items are predominant.

The survey has focused the attention also on the services offered through the web. In particular, services concerning planning (22 cases) and carrying out (21 cases) of green works are quite common, as well as those regarding cleaning and maintenance of public and private green areas (14 websites). Some other services concern planning (8 websites) and execution (7 cases) of irrigation systems, planning (5 cases) and execution (3 cases) of phytotranspiration and/or evapotranspiration plants, planning (5 websites) and execution (4 cases) of herbal purification plants, flower arrangements (6 firms) and agricultural consulting (5 firms).

Eleven firms offer on the website some services in alternative to those related to nursery activity, among which agri-tourism represents the most represented option.

In relation to the products dealt in the websites, information provided through web by the firms mainly concerns the species or the cultivar (51 cases); pot size (29 cases), height of the plant (19 cases) and cultivation techniques (16 cases) (Figure 2).

Figure 2 – Information on the products offered (multiple choice)

Source: Our elaboration on surveyed data

Other information, less represented among the firm websites, is provided: typology of packaging (9 cases), price (8 cases), and delivery times (4 cases); with regard to the last aspect, no firm indicates the overall cost of delivery.

Some information concerning the firm products is reported (in 32 websites, equal to 40%) in a special product Catalogue, that can be consulted and/or downloadable online.

With regard to the information included in the websites, 92.5% of these websites do not offer any indication about the product availability onsite.

In the 5 websites dealing with product sales, the purchase process starts by sending an online order through filling a specific form (4 websites) or by an email (just 1 website).

Just two websites allow the web-user to complete the whole transaction online, making the payment either through credit card or by paypal payment method; in the remaining websites, the purchase options include bank transfer or Cash On Delivery (COD) payment.

Terms of sale are fully indicated by 4 of the 5 visited sales websites, whereas all the websites provide information about the right of withdrawal, and in particular relative to order cancellation

(two websites), to product restitution (2 cases) and to money repayment (one case) conditions.

An interesting consideration from the website survey concerns the firm certifications, in particular those ones related to the quality systems (mentioned in 13 websites), and to environmental protection (9 websites).

They represent additional information provided by firm and contribute to improve image and reputation of the firm, inspiring confidence in the web-users due to the guarantees related to the adoption of quality systems and to the sustainable management of firm processes.

Another relevant feature of the investigated websites in terms of information provided to the web-user concerns the addressees of firm products and services. This kind of information is present in only 22.50% of the cases. More in detail, the results show that the main buyers are wholesalers and garden centers (6 websites for each), followed by final consumers, florists and other retail dealers (3 websites for each item) and finally by distributors (2 cases). In 10 of the overall websites other addressees of products and services were indicated, such as Public Authorities that purchase flower and ornamental products with the aim to carry out green works in parks and gardens.

Twenty websites (25% of the total number of the investigated firms) communicate the participation of the firm during sector fairs, traditional

communication and promotion tool of the firm. More specifically, according to the information displayed in the websites, the investigated flower firms attend to a large extent national sector fairs (17 firms, equal to 21.25%); to a less extent the websites indicate the attendance of the firm in relation to sector fairs held in other countries (9 cases) or in the same region where the firm is situated (7 cases).

4.4 Design

“The web site should reflect the image that the company is trying to project and which the customer will remember and return to” (Cox, Dale, op.cit). In particular, from the survey it comes out that most websites – although without an immediate commercial purpose – are equipped (either in the home page, 73 cases, or in the internal pages, 69 cases) with images of their products and services, acknowledging the influence that these elements may produce on purchase or return to the site decisions taken by the web-users.

Cox and Dale also claim that “the pages on a web site should ideally be short”. With this respect, data gathered point out that in 83.75% of the websites (67 cases) the text, both in the home page and within the pages, is short and sometimes articulated into sections (paragraphs) (29 cases); just in 5 websites at the end of the text there is a button which allows the web-user to go back quickly at the top of the page.

As to links surveyed in the websites, it emerges that the “home-page” link is present in the 80% of cases in each page, making easier the navigability of the website for the user.

In regards to other links pasted in the websites, in 29 cases these links appear within the text, but only in three websites the links change colour after their consultation. This simple device, often neglected by website designers, is of fundamental help to web-user, as it simplifies noticeably the site navigability, avoids causing confusion in the internet user and reduces waste of time.

Another issue analysed concerns the possibility for the internet user to search inside the website.

Spool et.al. (1999) state that one third of internet users start a search through the specific function before accessing a link or consulting the menu of the website. From the survey it turns up that only in 15% of websites investigated a search bar is present, and only in one case the search within the website is facilitated by a cascading menu which allows an increased speed in the search operations. In particular, in 8 websites the system recognizes singular and plural forms of the word.

In just 9 websites there is a function, the so-called “Map view”, an interesting tool which allows a rapid visualization of the site structure and consequently an immediate general view of the file organization within the website itself.

In all the e-commerce websites it is possible to display the content of the cart, in 4 cases there is a tray for the elimination of undesirable products, but just in three cases the web-site gives a warning to the user in case of any mistake in the purchase procedure.

In relation to the website animations, from the survey it turns out that in 27 cases there is a permanent animation and just in one website the user is left free to decide whether displaying it through the downloading of specific software. This option plays a relevant role as the animations contained in the websites are often considered by the web-user as trouble elements due either to the waiting time and to the distraction potential for the internet user from the content of the site itself.

4.5 Customer service

Through the website, the firm has the opportunity to create a confidence relationship with the customer, by means of a set of tools which allow to know the customer in depth with the aim to foresee and meet his needs.

Within the surveyed websites, the “customer service” parameter seems to be rather neglected, since it is restricted to the use of basic tools such as telephone and fax (95% of the websites) (Table 1). In 63 websites (correspondent to 78.75% of total number) it is possible to request online information through a specific form in

which the user provides his data, protected by law as regards to the subject of personal data

treatment just in 16 websites.

Table 1 – Customer service (multiple choice)

	N. % of total	
Phone and fax service	76	95.00
Information request by e-mail	63	78.75
FAQ	5	6.25
Request new products	2	2.50
Receiving complaints	1	1.25
Resolution of technical problems	1	1.25

Source: Our elaboration on surveyed data

Today the traditional communication means have been integrated through the use of systems of information sharing such as the “Frequently Asked Questions” (FAQ) which allow the web-user to find an answer to his questions without the need to contact the same firm through an email or a telephone call.

This system was observed in just 5 of the websites and is structured in a different way, sometimes it presents questions classified per topics, sometimes with a content index, in other websites there is a content index, whereas in other websites both questions and answers are grouped in a single page according a chronological order of the questions.

Other specific services reserved to customers, such as new products enquiries, recourse reception or resolution of technical problems, are nearly absent (in just 4 websites).

No website indicated the updating frequency which is - on the contrary - one of the most important parameters to obtain the web-user fidelization, affecting markedly the propensity to

visit back the website (Cadiat, De Moerloose, 2002).

4.6 Community

In the latest years the firms working on the web have given particular attention to the tools able to create a direct interaction with the consumer, and to allow building, developing and managing a stable and enduring relationship.

Despite the above mentioned trend, within the investigated sector most websites do not offer any service complementary to those traditionally used (telephone, fax, email, etc. etc.).

The presence of community services such as forum (one case) and chat (1 case), through which the web-users, upon registration, have the chance to interject directly with the firm; the latter has therefore the possibility to know better their customers and meet their needs, but also to exchange opinions about topics related to flowers and ornamental plants, sometimes also in real time, as it happens in the chat lines (Table 2).

Table 2 – Community service (multiple choice)

	N. % of total	
Specific links	11	13.75
Share of facebook	4	5.00
Forum	1	1.25
Chat	1	1.25
Personalized communication	1	1.25

Source: Our elaboration on surveyed data

The supply of personalised services, such as the possibility to access the website through user-id and password, is relative to just 11 websites (13.75%); the communication service directed to regular users in order to inform them about discounts and particular promotions was surveyed just in one website.

A new opportunity for online business is provided by the social networks, and in particular by Facebook, a system established in the last few years as a new tool for communication, virtual interaction, media visibility and able to attract new potential customers.

This opportunity has been only partially acknowledged by the investigated flower and ornamental firms, being utilized only in 5% of the total surveyed websites.

5. Concluding remarks

The present survey, which was carried out on a sample of flower and nursery firms working in the Convergence Regions of Italy, has pointed out some aspects concerning the structure and quality of websites, allowing us to identify some strengths and weaknesses of web-marketing policies taken by these firms.

From the above mentioned survey it turns up that most websites have no commercial aim in terms of sales; their presence in internet is just considered as an effective means to obtain more visibility in the virtual world, although represented in a large proportion by Italian web-users. In

addition to this prevailing situation, there are very few firms which do not restrict the use of Internet as a simple tool for transferring information and services into the Net, but which use it as a sales channel complementary to those traditionally used.

In terms of content, from the survey it comes to light that the information given by the firms through their websites is deficient when compared to the full potential of the Net. They just spread basic information without an acceptable level of detail which would meet, on the contrary, the knowledge requirements of web-users and would also concur to loyalize them.

The survey has shown that these firms are characterised by a modest level of knowledge concerning the web-marketing tools and the multiple features that can be implemented in the websites in order to improve their performance and visibility in the virtual space.

The results show a low propensity of firms to use tools able to directly interact with the web-user for a customer retention purpose. Electronic mail and application forms - used in order to request information, quotes or to make orders – provide a communication flow between firm and web-user, useful to plan policies able to integrate off-line marketing strategies with the new info-telematic media. Nevertheless, they appear to be out-of-date in comparison to the most recent communication tools offered by the web. Most firms have not become aware of the role that direct interactions activities with customers can play in the creation of trust-based relationships.

It is fundamental that flowers and ornamental plants firms of the Italian Convergence Regions (most of which are small-sized and make almost exclusively use of traditional distribution channels), now approaching the web, might catch the opportunities provided by internet, especially due to the loosening of both space and time constraints.

This requires that firms are able to make technical investments in order either to implement updated computer tools or to develop appropriate cognitive and technical qualifications which today are at all insufficient to make a correct use of the wide potential that web-marketing tools are able to offer in order to sensibly improve the competitive potential of firms.

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THE REGULATION OF HEALTH AND NUTRITION CLAIMS FOR THE PROMOTION OF FOOD

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Abstract

The European Commission's regulation on nutrition and health claims (EC No 1924/2006) (the Regulation) came into force in 2007. Article 13 deals with health claims, that is, statements that link a food, drink, ingredient or nutrient with a beneficial diet. Article 14 deals with claims relating to reduction in disease and children's development and health claims. The European Food Safety Authority (EFSA) is responsible for verifying the scientific substantiation of the submitted claims, some of which are currently in use, some of which are proposed by applicants. This information serves as a basis for the European Commission and Member States, which will decide whether to authorise the claims. EFSA provides scientific advice on health and nutrition claims. It has set out a procedure for applicants to follow and technical and scientific guidance for preparation and presentation of the claims for the approvals process.

The food lobby has traditionally resisted measures aimed at promoting consumer health and well being which might be considered to be harmful to its economic interests. It has argued that consumers do not want a paternalistic approach from the state which tells them what they can and cannot consume. Recent campaigns relating to salt, sugar and fat intake have been characterised by the food lobby's preference for industry led self regulatory measures and not legislation. The impact of the regulation will depend to a large degree on the enforcement of the law by the relevant agencies. In the UK, Trading Standards departments in local authorities will be faced with the prospect of taking action against large multinational organisations with access to teams of experts and lawyers with all of the risk and costs

entailed. This paper will explore prospects for approval and enforcement of health and nutrition claims in the UK by a review of the historical treatment of such claims by enforcers.

Key words: Food law, health claims, marketing, enforcement

Why regulate health and nutrition claims?

Regulation is invariably advanced as a solution to a problem. What then is the problem which regulation on health and nutrition claims trying to solve? The problem is the impact of poor diet on health and more particularly the potential for misleading consumers about the health and nutrition properties of particular foods.

The shelves of every supermarket are heavy with the weight of products that claim to defend against infection with friendly bacteria in a yoghurt drink, tea and coffee that is rich in antioxidants that will ward off cancer and the effects of aging and spreads that will reduce cholesterol. Consumers are not in a position to test these claims and the regulation is therefore aimed at ensuring that the claims are supported by scientific evidence (Economist 2009).

The promotion of health is a vital and constant issue. As an illustration of this point, here are two brief but salutary examples of reports of health problems that may be linked to the consumption of food.

"Over the past 30 years, circulatory diseases including ischemic heart disease and stroke, have been the most common cause of death in the UK for both males and females." (Office for National Statistics(ONS)2008).

Obesity alone costs the UK £6.6 to 7.4 billion per year (House of Commons Health Committee, 2004).

Diet is considered to play a significant role in both heart disease and obesity.

Consumers are provided with more information about what they eat and they are interested in the relationship between diet and health. This interest is reflected in the volume of health journalism and 'lifestyle' advertising and by the proliferation of health and nutritional material in broadcast television.

The link between diet and health

There is evidence to support a link between nutrition, diet and better health and prevention of disease (Hu 2003). Therefore it would appear that there are real benefits to consumers from improved diet. The advent of functional foods, "foods that claim to improve well-being or health" (Katan and de Roos 2003) and the use of claims to promote such foods may lead to improved health as consumers may make better choices. Alternatively the promotion of such foods may in itself be potentially misleading and dangerous to consumers by giving consumers the impression that certain foods may provide a silver bullet for good health and disease prevention. A third option is that food suppliers make fraudulent claims for health benefits for foods that in fact do not have such properties.

In truth a "fundamental public health nutrition principle is that it is the total diet, not individual food products that determine health" and that "there is no such thing as good or bad food, only good or bad diets" (Lawrence and Rayner 1998). In the words of Sue Davies, Chief Policy Adviser at Which?; "people embrace food products offering health benefits because there's a natural tendency to go for the quick fix rather than cut down on saturated fat, sugar or salt, or eat more fruit and vegetables."(WHO 2009).

What are the main functional foods for which health and nutritional claims are made? The current market is made up principally of breakfast cereal fortified with vitamins, probiotic yoghourts containing 'friendly' bacteria and cholesterol lowering margarines containing plant stanols, but there are also breads, ready meals, fruit juices and bottled waters for which such claims are made. What are the health benefits which are claimed for such foods? They are mainly problems associated with aging or with the

development of children; including heart and digestive health and bone structure and growth.

The link between health claims and increased consumption of functional foods

The sale and promotion of food by the food industry assumes that there is a link between the making of nutrition and health claims in advertising and marketing and the increased consumption of such foods. However the success of this sales and promotion activity depends on consumers being aware of and having understood the health claims made for a particular food or nutrient and their expectation that they will enjoy the benefits of consumption as promised by the supplier. On the other hand, proponents of restrictions on the promotion of food containing high fat, sugar and salt base their case on the presumption that there is a link between advertising of high fat, sugar and salt foods and their consumption. Many of these assumptions are untested and the evidence for them is patchy at best.

There are difficulties with defining 'healthy' foods. A product such as milk may be high in a specific desirable nutrient, for example, calcium and at the same time contain high levels of an undesirable nutrient, in this case, fat. Some consumer groups, for example, Which?, have argued that nutrition and health claims should not be permitted in the promotion of such products. This may lead to their increased consumption especially among children. The US Food and Drug Administration approach is that if a food has high levels of fat or salt than this will automatically undermine any health claim.

Changing behaviour - Aims and effectiveness of the regulation compared with advertising and self-regulation

In order to deal with the question of how, if at all, to restrict the promotion of foods, we need to ask what is the regulation seeking to achieve? Is it to improve the health of the population or is it merely to provide transparency and to provide better information to consumers so that they can make informed choices? Subject to the answer to that question, a further question arises; is regulation the best way to go about achieving the purpose?

Free marketers would argue that intervention by government or regulators in markets is generally ineffective; “The history of government regulation vividly demonstrates the inability of the political process to cure a failure of the market process.” (Seldon and Robinson 2004). As Boddewyn observes “It is too readily assumed that if the market fails, only government regulation can correct its shortcomings.” And that, “there are readily observable limits to what regulation, as a form of societal control, can achieve.”(Boddewyn 1986)

This criticism of law making may be extended to one based on pragmatism rather than principle; that whatever the case for intervention by reference to economic and behavioural models, it does not follow that such intervention will actually be successful in achieving the outcomes that it sets out to deliver. The real world turns out to be more complicated and confounds the theory. ‘Nudge Theory’(Jolls, Sunstein et al. 1998) has its roots in libertarian free market ideals but the arguments for it are based in pragmatism, i.e. that it may work, rather than in ideology.

The opposing view is that there is a market failure in the sale and promotion of food as a result of an information asymmetry and direct intervention is required beyond simply creating the right conditions for a competitive marketplace (Spence 1975). Furthermore the risks to consumers are such that market forces cannot be relied upon to achieve policy aims of improved health and the risks of the harm which may follow justify intervention. What is the most effective way to promote health? Is banning or restricting the promotion of health claims the way to promote better health or should consumers be provided with the information to be able to make informed choices?

The question of justification of intervention by the state is not just a political one. There is a practical dimension: the experiences of the curbs on smoking seem to indicate that marginalising harmful behaviour is as important as imposing restrictions.

Self-regulation

Prior to the regulation from the EU, the way in which health claims were dealt with was by self-

regulation, in particular under the Joint Health Claims Initiative (JHCI 2007). This is in keeping with the UK’s penchant for self-regulation over legislation. As early as 1989 it was observed that ‘Britain appears to be something of a haven for self-regulation’ (Baggott 1989). This observation continues to be true and in fact Britain has influenced the EU in its regulatory design towards greater use of self-regulatory models. The role of self-regulation and the case for and against it is well established (Senden 2005). On the side of the advocates, self-regulation is, when compared to legislation, flexible, quicker and cheaper. For its critics, self-regulation is ineffective because it is not taken seriously by industry and regulators are toothless because they lack real powers and an effective sanction (Ogus 1995).

Advertising

“Advertising can contribute to consumer dietary knowledge and subsequent behaviour” (Brennan 2008). There is evidence to suggest that commercial communications provide information in a form that is more readily accessible to consumers and especially to disadvantaged groups (Ippolito and Mathios 1990). The question of how such communications are regulated needs to be carefully considered in the light of the possible unintended consequence of the restriction of information to consumers. This is not however an argument for misleading and spurious claims to be permitted. The removal of restrictions on the promotion of foods would result in the undermining of claims which can be justified and this may damage consumer confidence and contribute to consumer scepticism in the industry as a whole.

Whatever the evidence of efficacy of the use of nutrition and health claims in the promotion of foods, such claims have been seized upon and put to use with gusto. Today you “can’t walk down the aisle of a supermarket in any developed country without seeing ads touting the benefits of additives, such as omega-3’s/DHA, lycopene or antioxidants. Even sugar-packed fizzy drinks proclaim their “electrolyte value” and call themselves “sports drinks”. But does adding vitamins to sugar water make it any healthier? And what about adding extra bacteria to yoghurt?” (WHO 2009). Therein lies the

problem; consumers are baffled by the sheer volume and questionable reliability of information and find it difficult to distinguish from those claims grounded in established research that are meaningful, claims that are controversial and yet unproven and the mere puff of sales gimmickry. "If the only real function behind such labels is to bolster profits, consumers and regulators will eventually see through the hype". This is notwithstanding the attempts at consumer education by government sponsored advertising campaigns to promote health such as 'Change4life'.

The regulatory response: The European Commission's regulation on nutrition and health claims (EC No 1924/2006)

The European Union has passed legislation on the control of nutrition and health claims to "better inform consumers and to harmonise the market"(EC 2003). These aims are modest claims for the benefits of the regulation and it is noteworthy that they stop well short of the aim to improve health. There is no assumption that regulation of the claims made by advertisers and suppliers will lead to the goal of better health for consumers. Indeed any such claim would be unwise in the light of the unproven assumptions that need to be made to demonstrate a causal relationship. In relation to consumer health and welfare, the aim to provide better information seems timid.

"Differences between national provisions relating to such [health and nutrition] claims may impede the free movement of foods and create unequal conditions of competition. Thus they have a direct impact on the functioning of the internal market." ((EC) No 1924/2006). Of course harmonisation of the market relates to the general EU aim of the free flow of goods and services and the internal market. It should be noted however that this aim relates primarily to the functioning of the internal market and not to consumer protection.

A recent study, investigating the likely impact of the EU regulation on broadcast advertising, examined the potential impact on one entire week of free to air broadcast commercial television. The study found that 'little is likely to change in terms of claims currently being

made...because most advertisers rely on nutrition content claims or comparative claims...which are fairly easy to substantiate; in the case of nutrition content claims, they generally do not make any direct health claim.' (Brennan 2008).

This is a reason for disappointment. The promise seems to have been whittled down from the potential for the improvement of general health to one of minimal impact on the content of food advertising.

The Regulation takes a two pronged approach; firstly in relation to nutrition and secondly in dealing with health claims. Nutrition claims are concerned with the content of the food and may refer to what is or is not in it. For example, 'low fat' or 'high fibre'. The Regulation is aimed at harmonising the use of such claims so that products claiming to be 'high fibre' have a defined minimum amount of fibre per a defined unit. It does this by the creation of nutrition profiles that set out the standards which foods must meet in order that defined nutrition claims may be made for them.

Health claims refer to what a food or an element in a food does to the consumer. "Health claim means any representation that states, suggests or implies that a relationship exists between a food or a nutrient or other substances contained in a food and a disease or health-related condition" Codex Alimentarius Third Edition(2006). The rationale behind the legislation is that health claims must be backed up by scientific evidence. Some health claims are well established, such as the proposal that calcium is important in promoting healthy teeth and bones. Other health claims are more controversial such as the relationship between whole grain and the prevention of coronary heart disease. The Regulation prohibits health claims unless they can be substantiated. The Commission has produced a list of established health claims which may be used by producers to enable them to be able to make a meaningful claim. As a result consumers will be able to rely on clear and verifiable claims.

The response of the food industry to the Regulation has been cautious. The Confederation of Food and Drink Industries of

the European Union (CIAA) fears that the higher standards in the Regulation may lead to reduced innovation in the production of food and less consumer choice and that it will not necessarily succeed in promoting better understanding of nutrition and health by consumers (WHO 2009). Also the requirement for approval from the EU being contingent upon the submission of a full scientific dossier places small to medium sized enterprises at a competitive disadvantage when compared to multinationals. Only the very large concerns will have the money and access to expertise and resources to be able to put forward the evidence required.

The industry claims that the evidential burden on producers is too high and that the effect of the regulation will be catastrophic; “the regulation is killing this industry and the job losses are already being felt” Ioannis Misopoulos, director general of the International Probiotics Association (IPA).

By July 2009 the European Food Safety Authority had received and assessed 70 claims of which 54 had been rejected. As a result producers may be deterred from applying for approval at all. Therefore an unintended consequence of the Regulation may be that the decision not to apply for approval and rejection of unsuccessful claims will lead to consumers receiving less information about nutrition content and health properties of food.

Health claims that are made for foods may begin to resemble the claims made in the promotion of drugs in their conviction. The analogy between the marketing of foods and drugs is instructive. The sale and promotion of drugs is strictly controlled. The licensing of drugs is subject to approval by the Medicines and Healthcare Products Regulatory Agency (MHRA) which is concerned with their safety and efficacy. The claims relating to the efficacy of drugs must be substantiated by evidence obtained as a result of clinical trials and drugs will not be licensed for distribution unless their benefits outweigh their risks. The approvals system set up under the EC Regulation 1924/2006 for health and nutrition claims for food and the requirement for substantiation of claims brings food closer in line with medicines. However there are important differences between food and medicine and the requirement for evidence should not remove that

distinction by medicalising the supply of foods. It would be undesirable for the supply of food to be subject to a licence the terms of which required a prescription from a medical practitioner in response to a specified condition. (Lawrence and Rayner 1998). On the other hand consumer trust and confidence in the food industry relies upon evidence that the products can in fact provide the benefits claimed for them. “If food companies wish to make the sorts of claims about their products that pharmaceutical companies do, they must be prepared to submit to similar scrutiny. Extraordinary claims, require extraordinary evidence.” (Economist 2009). In so far as it is possible, the rules should be ‘industry neutral’ in that they do not create one regime for drugs in which say, a particular claim requires evidence and a separate one for food where a similar claim may be made but which is not subject to the same scrutiny. To provide different levels of scrutiny depending on whether a product is classed as a medicine or a food but for which similar claims are made would create a regulatory get-out through which products may be passed resulting in distortion of markets and confusion among consumers. This could be said to exist under the current regime, where for example, the cholesterol lowering effects of oats or butter substitutes are treated differently to cholesterol lowering effects of drugs such as statins. The differences may lie in the degree.

The chain of causation

In creating a regulatory framework and enforcement policy for nutrition and health claims there are many assumptions which may not be proven. Health claims are required to be substantiated by evidence which is likely to be obtained by clinical trials. Such trials demonstrate the effect of the food or nutrient in individuals rather than populations therefore the findings of clinical research may be of limited relevance to public health policy and regulation. A further assumption is that the consumer has read and understood the health claim. This means that the claim is made in plain and intelligible language and that their level of nutritional education is sufficient for them to appreciate its content. It follows from that the consumer has then been influenced by the health claim and acted upon it and purchased the food and consumed it in the context of a diet which

would yield such a benefit. If the benefits do in fact materialise, that this will lead to improved health for the consumer and an increase in sales for the supplier.

The flaws and possible breaks in the chain of causation are evident.

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IMPACT OF CROSS-BORDER M&AS ON FIRM EMPLOYMENT - THE CASE OF CROATIA

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Summary:

Some of the most important aspects of globalization refer to free capital flows and internationalization of firm ownership. This paper reports on some preliminary observations considering two important phenomena that will influence future Croatian economic development: cross-border M&As and employment. So far, in the case of Croatia, cross-border M&As had attracted interest primarily as a source of fresh capital that would nurture future investments in technology, products and markets. Considering the shortage of capital and the slow rate of restructuring underwent by Croatian companies in the nineties, it was only natural that macroeconomic issues relating to capital flows (FDI), gross fixed capital formation and employment would dominate discussion. The issue of relinquishing control that comes along the acquisition of ownership stakes of Croatian companies by foreign owners has come under criticism only more recently.

Without providing any final conclusion on the net benefits of cross-border M&As we tried to raise some evidence on the behavior of foreign owners as compared to domicile owners. In this paper we focus on employment, first because we believe employment may serve as an indicator of "broad" social impact of cross-border M&As and second, because of methodological reasons. We analyzed company data provided by the Croatian Securities Exchange (now HANFA). We found that it is not so much the type (nationality) of owners that affects labor practices, but first and utmost, business performance in terms of profits and losses.

Key words: cross-border M&As, foreign owners, employment, FDI, Croatia

1. Employment issues related to cross-border M&As on the FDI receiving side

Cross-border M&As are one form of FDI.²³ According to World Investment Report, the M&As

²³ According to the definition provide by the World Investment Report (Methodological Notes, 2005) FDI is a long-term investment reflecting a lasting interest

are dominant form of FDI with 80% stake (World Investment Report, 2000, p XX). Two other forms acquiring or rising ownership stakes are green field investments and reinvestment of profits.

From a microeconomic point of view, M&As represent a mean of market consolidation and a business strategy employed by the acquiring company in order to achieve synergies and raise profits. From the perspective of a firm being acquired, the acquisition may mean a new beginning or a route to liquidation, which may make stakeholders (owners, managers and employees) either cooperative or reluctant regarding acquisition. In the later case, we speak of hostile takeovers which produce additional economic costs. Cross border M&As are interesting for analyses as they magnify issues present in the process of M&As: potential synergies increase, as does the size of the companies and markets involved, but so do power issues that tend to become more acute.²⁴

One of the reasons why Croatia pursues a policy of attracting FDI are higher growth rates needed

and control of a resident entity by a non-resident investor. FDI flows comprise equity capital, reinvested earnings and intra-company loans. Transnational corporations are incorporated or unincorporated enterprises comprising parent companies and their foreign affiliates.

²⁴ Organization theory treats those issues as power asymmetries which may appear in any bilateral relationship modified by the acquisition: between acquiring company and target company, between the new owners and managers and the incumbent owners-managers-employees, between national authorities and consumers as opposed to the foreign acquirer due to its markets power, etc. Power asymmetries, in a situation of bilateral monopoly, lead to inefficiencies, that is "hold up" problems and a redistribution of wealth in favor of the more powerful side.

to provide jobs.²⁵ For Croatian firms and for the Croatian economy during the nineties, insufficient investment capacity represented a severe drawback in the attempts to adapt to the new political and economic landscape. So, one of the envisaged methods for raising new capital and boosting economic activity was by attracting FDI inflows, part of which came through acquisitions of Croatian companies by foreign owners.

Foreign owners, in particular strategic investors, were welcomed also because, aside from bringing in new investments, they were expected to be more knowledgeable about up-to-date (western) management techniques, familiar with markets and therefore better prepared to conduct the needed restructuring of existing firms.²⁶

²⁵ In Croatia, unemployment is generally high, but it is especially a problem for some parts of the population: the young (under 25), the above 40, lower skill workers; and in parts of the country further from the capital city, or from the coasts, that at the same time the parts of the country that have been most heavily struck by the war.

However, it should be noticed that "Several factors seem to have weakened the association between aggregate output growth and labor market outcomes in Eastern Europe and the CIS." as has been pointed out by WESP (2006, p 102-103). Among those are factors which we will not look into our research such as: time lags in business cycles, expansion in labor non-intensive sectors, low labor mobility, skill mismatches suggesting the need for more government effort to reduce labor market rigidities.

²⁶ See Čučković (2000) for an outline of privatization effects up to 2000 and for a list of strategic privatization goals for 200-2005 and Žigman (2000) for policy and expectation from FDI. Both material are part of a Government's strategic document "Croatia in the 21st century", section on International Integrations. Both documents are illustrative of a rather benign treatment of foreign investments and foreign strategic investors.

One of the negative sides of strategic investors was that once control is acquired, there was a fear that profits would be realized primarily through cost-cuts, a business practice that may be beneficial to new owners but harmful to employees.²⁷ Second, even though empirical research in CEE countries suggests that multinational companies (MNCs) favor knowledge transfers and promote learning in the acquired company, they also tend to weaken trade unionism (Aguilera and Dabu, 2003, p15).

So far, public opinion tended to perceive certain types (nationalities) of owner as being less socially sensitive. In Croatia, the State is considered to be by far the most preferred (stable and fair) employer. High union activity that is most often directed towards the State as the employer might be misleading for an observer from abroad, but it should be read as a signal that the State is open to negotiating while private owners, including foreign owners, might not be. It is a public belief that companies owned by the state provide better labor security, while private owners, especially foreign investors pursuing profitable employment of capital may be less sensitive.

Our interest in future research is to establish whether there are specific differences in human resource policies. We believe one of the most important (yet under-researched) impacts of foreign owners concerns the question of long run effects for the quality and competitiveness of the national labor force, especially professional workers. Three short-long term issues interrelate in this arena:

1. The social aspects of foreign ownership. Those are coincidental with maintaining jobs and social security of a larger population of employees;
2. Keeping and developing professional capacity of acquired companies. In the immediate post-acquisition period professional capacity would depend on the will and capability of owners and managers of the acquiring company to keep (and cooperate with) the already existing professional-managerial capacity in the acquired company;
3. Individual development (career) paths and the consequent long-terms competitiveness and mobility of individual professionals (but also less-skilled workers) in European labor markets.

At this stage of our research, concerning the available data and the early stage of research, we focus on the first item. The second stage would demand some in-field research that is more time (and financially) demanding.

2. Jobs related benefits and drawbacks from an international perspective

In a globalized world, FDIs and ownership in general, are crucial issues to future economic possibilities at national level (sustainable growth), firm level (future competitiveness) and individual level (long-term employability and earnings). However, there have been somewhat different perspectives and different analytical possibilities for different economies, especially when talking of gains/losses of jobs.

When looking at FDI, especially at cross-border sales and acquisitions of equity and the role of multinational companies (MNC), there are some

²⁷ Attempts to look at “long-term” and “net” effects of large-scale privatization and FDI are generally more recent, but are becoming more common around the world.

concerns worldwide of M&As having both beneficial and harmful effects on national economies and their population. There has been recent work on FDI effects, and FDI 'desirability' as treated by Enderwick (2005, p 96-102) who argues that desirability of FDI was long regarded through "first round" economic impact, including 'employment creation, capital inflows, the provision of technology and the transfer of new managerial and organizational practices'. Neglecting secondary impacts (motives for FDI, spillover effects and influence of further development of linkages) and tertiary impacts (impacts on infrastructure, regulation and policy and on the utilization of natural resources). The concern of developing countries, but also of small countries, is that multinational companies limit economic sovereignty and serve as a weapon of re-colonizing less developed economies, and of making assets control on a basis of expropriation and redistribution of wealth.

In developed countries, such as the US, the main concern of analysts and policy makers often relates to size and impact of MNCs and intra-group trade in goods and services (Nephew et al, 2005), as well as cross-border financial flows.²⁸ Even in those economies the issue of statistical tracking remains unresolved²⁹ especially when related to intra-firm organizational restructuring of business flows in the case of "offshore outsourcing" and their employment impact. In the US there is much public concerns that while once employment by foreign affiliates tended to be concentrated in high-wage countries, the recent trend may be of shifting employment to low-wage

²⁸ Cross-border M&As fell, especially among developed countries after 2000, but were still above the average of 1996-1999.

²⁹ Not even the US is satisfied with data collection so far, despite the fact that very strong interest does exist for data on value added, capital expenditures and employment. (Whitchard, 2004, p 8).

countries, so that developed countries may be losing jobs.³⁰

In Europe, across-border M&As have become significantly more important during the process of European economic integration and with the promotion of the idea of free movement of capital.³¹ The acceleration of European integration, seen as a mean to achieve global competitiveness at the level of the European economy, has implication on firm structure and inter-firm relationships. Changes needed in order to produce new economies of scale and other forms of synergies opened the issue of allocation of economic activity and its social consequences. This is a very probable reason why European middle classes might be reluctant towards European enlargement. Even in the "old" Europe, social issues remain as large-scale, high-value cross-border M&As have become more frequent and more visible to the general public.

For the SEE region (transition economies or the "new" Europe) the issues connected to foreign ownership most often relate to the privatization process and its goals, dynamics and mechanisms.³² A significant part of FDI directed

³⁰ Evidence is still not clear. For example, E. Nephew et al(2005, p 25): report that for many years service exports through majority owned foreign affiliates made up for most of the services sold to foreign markets by US companies, but also of foreign services sold in the US. In the future, there is a tendency of further growth in numbers and share.

³¹ Total value of the intra-European M&A activity has peaked in 1999. and for the first time became as large as that of the US market for corporate control (Martynova, Oosting and Renneboog, 2006, p 2).

³² Another line of interest deals with micro-level impact of M&As and provides theoretical and empirical research dealing with business impact of M&As, reasons of success/failure, arranging the bidding process and post-acquisition organizational adjustment-integration, especially cultural and managerial adjustment. A closely related approach

towards transition countries has been control seeking investment.³³ Still, in the case of transition economies, most theoretical literature dealt with M&As through the issue of ownership rights and the body of institutional infrastructure that will enhance or detract from the attractiveness of an investment destination for FDI. This suggests that the upfront perception of the privatization process and incoming FDI, especially by the establishment, has been mostly benevolent.

[Figure 1 - Total value of M&A deals in World and SEE]

In CEE and SEE inward FDI was highest in 2000 and crucial to fostering economic recovery (Sohinger, 2004).³⁴ Later, Kummar (2007) saw that peak of M&As value in SEE was in 2005 (Figure 1). In fact, the success at attracting FDI by transition economies has even led the European Commission to require EU accession countries to harmonize their FDI regimes and to lower incentives (tax holidays and corporate taxes in general) for foreign investors (WIR, 2003, p 64).

deals with the M&A phenomenon by looking at new sources of economic efficiency and profit flows: usually in terms of achieving the right economies of scale, implementing new superior technology, gaining access to previously un-served markets or, complementary, by examining changes in markets structures and motives behind M&As, such as market power and monopoly rents...

³³ As noted by Enderwick (2005), transnational corporations seeking control provoke a number of direct and indirect effects on the FDI receiving economy. One of the negative indirect effects is that "... in a number of transition economies many benefits of privatization have been lost where a private (foreign) monopoly simply replaces a state monopoly." (p. 106)

³⁴ As noted by the Sohinger, transition economies had generally low domestic savings

Crotty and Jobome in a review paper (2004) comment on the lack of theory (lots of ideology and lack of analysis that will create sound broader understanding) at the stage when transition was initiated in the European East and the need to build institutions that will strengthen ownership rights, contract enforcement mechanisms and make ownership and control structures. In terms of impact of foreign owners on performance, the research findings generally reports better financial performance (Kaštelan Mrak, Sokolic, Vretenar, 2005), while Brown, Earle and Teledgy (2004) find that in terms of productivity, even though higher in privatized firms compared to non-privatized, there is still the possibility of cross-sectional estimates to overstate the benefits of privatization.³⁵

When it comes to Croatia, during the late nineties, Croatia was most eager to bring in FDI, most often in the form of acquisitions of Croatian firms by foreign owners. Still, a concern with ownership changes and Croatian privatization did remain even though enhancing investment capacity is among the most important facts to be examined in appraising growth potential and the possibilities of economic and organizational restructuring lying ahead of industries and firms. Figure 1 indicates the relative importance of M&As in SEE compared to the rest of the world.

³⁵ A related issue concerns outsourcing or contractual relations across borders, where not only production activities but also services (and higher skilled jobs) are being transferred to low-wage countries.

Table 1 - Employment in legal entities, FDI and Total Gross Investment in Croatia (legal entities 1998-2004)

Year	Aver. empl. 000	FDI in mil in €	GFCF in mil HRK	FDI/GFCF* in %	FDI/Aver. empl.
1999	1.058	1.362,9	31.329	32,2	1.288,2
2000	1.053	1.140,6	30.647	27,5	1.083,2
2001	1.056	1.467,5	33.202	32,7	1.389,7
2002	106	1.137,9	40.732	20,7	10.734,9
2003	1.088	1.762,4	54.955	23,7	1.619,9
2004	1.103	949,6	5.643	124,5	860,9
2005	1.113	1.467,9	59.209	18,3	1.318,9
2006	116	3.768,3	71.039	39,3	32.485,3
2007	1.212	3.679,0	78.243	34,8	3.035,5
2008	1.252	4.209,0	83.729	37,2	3.361,8

Source: **Statistical Yearbook of Republic of Croatia, 2010 (p. 218) and Gospodarska kretanja, Croatian Chamber of Commerce, no. 02/2011 (p. 5) and 01/2010 (p.5)**

* We converted kunas into Euros by dividing the amount in kunas by 7,4.

Most questions concerning the total impact of FDI and foreign ownership are still hanging to be investigated, but some general observations can be made on the scope of FDI compared to gross fixed capital formation and in terms of total employment by legal entities (Table 1). In the case of Croatia, the FDI values have been heavily influenced by privatization process of banks, communications, pharmaceuticals and oil business.

Furthermore, Croatia as a candidate country, is expected to complete negotiations with EU in

2011, after what joining EU should happen in seeable future. Entering EU will raise the visibility of Croatian companies (resources in general) to the international investment community. Compared to other transition countries, especially in the SEE Region, Croatia has been successful in drawing FDI, most of which was related to the privatization process. In spite of the importance of FDI for the national economy, there has been little available research on the long-term impacts of cross-border M&As.

3. Employment in Croatian firms floated on the stock market

In this part of the paper we examine "concrete data" in order to get some insight on the effects of cross-border M&As on financial performance and on employment in Croatian companies. We are not aware of any existing statistics or analysis that reports on comparative employment

practices by different types of owners, or at post-acquisition impacts of M&As on employment.

3.1. The sample

Sample consists of 40 Croatian public companies³⁶ listed in Croatian Agency for Supervision of Financial Services (Crosec) at 31. December 2008 that were target of acquisition in **2001-2007 period**.³⁷ Total number of firms that firstly met the criteria was 58, but 18 firms have had incomplete or inconsistent data and thus had to be eliminated. This provides us with a sample consisting of 24 firms with dominantly domestic private ownership, and 16 firms with dominantly foreign ownership.

The Croatian Securities Exchange Commission's database was chosen because it was one of the rare publicly available sources that offers comprehensive company data.³⁸ Also, the Crosec database was rather complete, so we could extract general indicators on firm performance (for most of the firms listed) for 7 years period. Also, because this database offered data on companies listed on the stock

³⁶ Public companies are considered to be ones which have more than 100 shareholders or have capital higher than 30 million kunas, or the ones that are selling their shares thought public offer.

³⁷ The Crosec database is no longer active so we used the last publicly available data span for establishing which firms were overtaken and when. The financial data for latter years that were missing at Crosec database were extracted from companies annual reports submitted to *The Zagreb Stock Exchange*.

³⁸ Even in countries with more advanced corporate governance practices it is hard to get pertinent data on ownership distribution, voting power concentration and managerial discretion. See Becht (1997), *The Separation of Ownership and Control: a Survey of 7 European Countries*, European Corporate Governance Network.

market, we believe had, partly at least, reduce potential errors in comparing data by unifying financial reports of sample firms.

Two years pre-acquisition, and five years post-acquisition period allow us to analyze long term operative efficiency of target firms regarding employment issues. Analyzed financial data (assets, shareholders equity, business revenues, profit/losses before taxes, and number of employees) enabled us to derivate labor related indicators by calculating relevant ratios (assets per employee, equity per employee, revenue pre employee and profit/losses per employee).

There are some constraints with our sample i.e. the size (especially the sub-sample of firms controlled by foreign owners). Additional drawbacks in using this sample derive from the fact that firms may vary very much in size and by industry.

Previous research (Kaštelan Mrak, Sokolić, Vretenar; 2007) also showed that foreign owned Croatian companies tended to have high concentration of ownership suggesting that those owners were interested in attaining control and entrepreneurial profits. At the time, three types of foreign owners were identified in the sample: 1. industry groups buying into a company as a mean of market/product expansion, which included almost 40% of the firms in the foreign-owners sub-sample in which one largest foreign owner held on average almost 80% of the equity; 2. single owners, or funds representing a single person who would act either similar to an industry group (active investor) or like an institutional owner or fund (inactive investor), which added up for another 17% of firms, where one largest foreign owner held on average almost 60% of the equity; and 3. portfolio investors, or investment fund and other investors with a diversified portfolio satisfied to collect rent without exerting more influence in the acquired company, which made up for the remaining 43% of firms in the sub-sample where foreign owners held on average 50% the equity.

3.2. Observations concerning employment

Since we started to research the impact of foreign owners on employment, our first task was to compare employment changes during observed period. For each firm that underwent M&A data was extracted for a seven years period (or shorter if there was no data available) in a way to cover two years before the M&A and five years following the M&A. In order to set comparable results, we used averages to measure employment and performance.

[Figure 2 - Number of employees (average)]

As can be seen from the above figure (Figure 2), average employment by foreign owners was higher than average prior to acquisition, and remained higher for 3 years following the acquisition. But in the last two observed years average number of those two groups is very similar. The difference in first observed years is partially the result of small sample, and big variation in firm sizes. The tendency of average employee stability in domestic owned firms, and tendency of constant decreasing in average number of employees at foreign owned firms are both heavily influenced by few major firms in the samples.

To neutralize this problem, the number of employees has been converted in index numbers and the year before acquisition was used as a base year. As it can be seen from Figure 3, comparison of averages of index numbers of employees shows that trends for foreign and domestic owners are almost identical.

The trends of firms overtaken by foreign, and firms overtaken by domestic owners both show relative stability in numbers of employees in the two years following the acquisition, and

decreased number of employees in the later years.

[Figure 3 – Change in employment]

A decrease in the number of employees would be expected, at least in theory, as a post-acquisition result of restructuring in the cases when M&As were driven by motives of achieving synergies.³⁹ If the M&A occurred for synergy reasons, process of rationalization through post-acquisition integration and coordination would be noticeable sooner, probably in first year following the acquisition. However our data does not confirm that hypothesis as employment did not decrease in the immediate post-acquisition period.⁴⁰

It should be noticed that higher average of absolute number of employees in firms overtaken by foreign owners probably reflects bigger financial power of foreign buyers, and/or better availability of financial resources.

[Figure 4 - Assets per employee (average)]

In our sample, assets per employee ratio, as a broad measure of asset utilization per employee, shows increase of labor productivity in total averages in both observed groups. Similarly as noticed from previous figures, there is a discrepancy in firm size that leads to distortion made by the result of bigger firms in sample. From Figure 4 can be seen that increase in

³⁹ As a contrast to market seeking and monopoly motives to acquisition.

⁴⁰ Stability in number of employees can also be the result of accepted contractual obligations by buyer when target firms were previously state owned. However, this issue was not addressed in this study, and would require further research.

assets per employee ratio of foreign owned firms exceeds increase shown by domestic owned ones through entire observed time span. As data present in relative numbers shows on Figure 5, that is explainable by the fact that in average foreign owners were acquiring bigger firms. Although domestic owned firms are lagging in asset utilization on absolute level, index numbers show a slightly higher increase in asset per employee ratio increasing for domestic owners compared to firms owned by foreigners.

[Figure 5 – Change in assets per employee]

M&A effect on equity per employee ratio is shown on Figures 6 and 7. Since the observed period stretches for five years following the acquisition, we can notice a tendency of foreign owned firms showing highest equity per employee ratios. Explanation for those trends may lie in a stronger financial position of foreign-owned firms compared to domestic ones, but also in the transfer of know-how or the position of entrance to new markets for the acquired firms. This issue needs to be further explored in future.

[Figure 6 - Equity per employee (average)]

Noticeably higher equity per employee ratios of firms acquired by foreign owners are indicating that considerably more fresh financial capital was injected in those firms in latter observed years.

[Figure 7 – Change in equity per employee]

Assuming that companies would not be laying-off in periods of business expansion and while performing well, we note that in terms of revenues (an indicator of expansion or contraction) both categories of firms, regardless of ownership showed an average increase in revenues. However, revenues per employee (Figure 8 and 9) ratio have followed trends of the

previous indicator and confirmed that firms acquired by foreign owners accomplish higher labor productivity ratios than domestic owned firms. Trend lines are almost parallel through most of the observed time span, which indicates that foreigners have acquired firms with higher revenue per employee ratio and succeeded in maintaining that advantage.

[Figure 8 - Revenues per employee (average)]

[Figure 9 - Change in equity per employee]

The last indicator shows ratio between firm's profit/losses and number of employees (Figure 10). These results are not so conclusive.

We speculate that a negative ratio in years prior to takeover for firms acquired by foreign owners reflects huge losses in few big firms in sample. In fact, acquisition was performed in order to avoid bankruptcy. In the post acquisition period, the trends of both observed groups show stability.

However, those trends might also be the result of the small number of the firms in the sample. We do have some concerns due to the small size of the sample and due to the period of observation. It is possible that the profits of some firms in the sample compensated for the losses of others. A further analysis is needed to address this point.

[Figure 10 - Profit/losses per employee (average)]

M&A processes have shown often to be unsuccessful in accomplishing operational efficiency gains.⁴¹ Analyses of this sample

⁴¹ Numerous empirical studies are showing that M&As are often unable to create value for firm

confirmed gains in many aspects of firm's performance like labor productivity and revenue increase which together with equity and assets increase indicate owner's effort in gaining performance enhancement of acquired firms. However, financial result does not always follow the trend.

It seems that the data confirms the hypothesis that acquisition increases efficiency in terms of higher labor productivity by increasing revenues. Acquirers tried to increase financial pool of resources of acquired firm (demonstrated in our research through increase in equity and assets). It is possible to conclude that the acquisition proved beneficial for acquired firms, irrelevant of the type of owner acquiring the firm.

We didn't conduct any statistical analyses on this stage, but descriptive data seem to indicate a slightly better impact of the foreign owners on performance of employment of acquired firms. However, financial outcome (as analyzed so far) do not confirm these general conclusions.

4. Conclusion

In the paper we presented the results of a broader research of impact of in-coming cross-border M&As on national firms and economy through their impact on employment. We start with an overview of present concerns expressed worldwide about the impact of incoming FDI on national economies, motives of multinationals', motives and power issues that arise once they attain control over national firms. International experience, from developed and developing countries is valuable as a source of

methodological models for researching the net impact of FDI

For the time being, and when looking at a sample of tradable firms, we find no evidence that foreign owners are less socially sensitive than domestic owners. Unfortunately, we did not have available data for the past two years and we do not know whether foreign owners have withdraw their equity during the economic crisis.

In the future we plan to continue our research on social implications of different types of owners as described in the paper. Other issues to be studied in the future comprise: issues of market power and its regulation, particularly when speaking of infra-structural companies (natural monopolies and the financial industry); technology transfers; cross-border trade through affiliates, etc.

owners. Some claim that only 20% of M&A accomplish to do so (Gates, Heimerik and Zollo, 2006, p.3). Empirical study conducted over acquired Croatian firms indicates gains in financial result for few points over 50% of sample firms (Vretenar, 2010, p 112).

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RELATIONSHIP BETWEEN INDUSTRY AND CAPITAL DETERMINANTS OF COMPULSIVE BUYERS' BEHAVIOUR: THE CASE OF RETAIL CLOTHING MARKET IN LITHUANIA

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Abstract

Efficiency of marketing instruments oriented to sales stimulation and changes of buying phenomena in recent consumer society presuppose the need for compulsive buyers' behaviour cognition. Thus the problematic question is highlighted – what are the determinants of compulsive buyers' behaviour and how does that behaviour occur in retail clothing market of Lithuania?

The theoretical concept of compulsory purchase is grounded and the peculiarities of compulsory buyers' behaviour are reasoned in the paper. It has been concluded that Johnson and Attmann's (2009) model, integrating three determinants – the personality trait of neuroticism, materialism, and fashion interest, is reasoned enough on theoretical and empirical levels and can be a relevant construct to estimate the peculiarities of compulsive buyers' behaviour in the specific context of retail clothing market.

The quantitative empirical research (survey method) has revealed significant positive relationships among all the mentioned determinants - the personality trait of neuroticism, materialism, fashion interest and compulsive clothing buying. The main conclusion of the research is that the most significant factor

affecting compulsive clothing buying of Lithuanian women is fashion interest.

Key words: buyers' behaviour, compulsivity, retail clothing market.

Introduction

Retailing is one of the most developing and largest economic sectors in three Baltic countries – Lithuania, Latvia and Estonia. While discussing the intensity of competition in Lithuanian retailing, an exceptional attention goes to Lithuanian clothing retailing market where the number of shops has been increasing in recent years. Latter tendencies in clothing retailing market require recent insights into marketing and consumer behaviour.

Marketing instruments oriented to sales promotion and changes in consumption priorities led by the global financial crisis are related to materialism factor, which supposes the need for compulsive behaviour investigation. According to Johnson and Attmann (2009), compulsive buyers' behaviour has captured the interest of scholars for approximately two decades. Still, this construct has not been studied enough, especially in terms of specific product categories such as clothing. That leads to problem question

– what are the determinants of compulsive buyers' behaviour and how does that behaviour occur in retail clothing market of Lithuania?

The aim of this paper is to base the determinants of compulsive buyers' behaviour theoretically; and to test them empirically in the case of Lithuanian clothing buyers-women's behaviour.

Literature review

Conception of compulsive buying in behaviour theory

In recent consumer society, buying or involvement into the process of buying has been increasingly seen as a recreational activity and an experiential escape from daily life rather than a transactional activity to fulfil material needs (Saraneva, Sääksjärvi, 2008). Thus Shoham, Makovec Brenčič (2003) on the grounds of Faber and O'Guinn's studies (1988, 1992), stated that it led to the phenomenon of negative consumption. According to Shoham and Makovec Brenčič (2003), negative consumption is consumption or buying that parallels negative results such as financial losses, the rise of individual and social problems. The increase in studies of this phenomenon among consumer behaviour researchers has been noticed. It is important to know reliable and valid measures to evaluate possible results and tendencies of negative consumption in order to eliminate most of negative effects.

Shoham and Makovec Brenčič (2003), on the basis of Solomon's (2002) research, have distinguished three types of purchase process that are mostly related to negative consumption:

unplanned buying occurs mostly when a customer is unfamiliar with a store layout, is under time pressure, or is reminded of a need to buy an item when seeing it on the shelf;

impulsive buying is an outcome of a sudden consumer's irresistible urge to buy an item spontaneously;

compulsive buying refers to consumer's repetitive shopping, at times excessive, because of the boredom, tension, or anxiety.

All these types are closely related to each other. Loudon and Della Bitta (1993) have distinguished the following four types of impulsive buying:

real impulse is stimulated by novelties, new products;

impulse based on offer, i.e. a buyer purchases the product that he/she has never bought before because of curiosity;

reminder impulse, i.e. when a buyer is reminded by in-store shelves to purchase a product;

planned impulse: a buyer goes shopping in hope that he/she will find products at an attractive price, etc.

Impulsive buying is not divided into mentioned types in practice, the part of impulsive buying is evaluated in terms of all purchases in general. Loudon and Della Bitta (1993), with reference to various studies, affirm that more than 33 % of purchases in mixed product shops are not planned; moreover, in shopping centres, even half of purchases are made with no plan, i.e. impulsively.

In general, we can state that compulsive buying and impulsive buying are sometimes confused, yet they are not synonymous constructs. Impulsive buying is motivated by an external trigger such as a product near the cash register. Compulsive buying is motivated by an internal trigger such as stress or anxiety; in which case shopping and spending are an escape from the internal trigger. Compulsive buying can develop into addictive buying when it becomes a need to continuously spend in order to alleviate stress and anxiety (Johnson and Attmann, 2009).

Addiction to compulsive buying can be evaluated according to buyer's level of involvement into decision making process and buying type (if buying is not planned or performed impulsively). Consumers who make many spontaneous and impulsive in-store decisions will be more inclined to compulsive purchase behaviour than other consumers (Shoham, Makovec Brenčič, 2003)

Compulsive buying is defined differently in scientific literature. Definitions of compulsive buying provided by consumer behaviour scholars are presented in Table 1.

Table 1. Interpretation of compulsive buying definition

Researchers	Definition of compulsive buying
Phau, Woo, 2008 (according to Muller et al., 2005)	Compulsive buying is defined as a “frequent preoccupation with buying or impulses to buy that are experienced as irresistible, intrusive, and/or senseless”
Saraneva, Sääksjärvi, 2008 (according to Faber, O’Guinn, 1992)	Compulsive buying is a chronic, repetitive activity that becomes a primary response to negative events or feelings.
Johnson, Attmann, 2009 (according to Edwards, 1993)	Compulsive buying is powerful, uncontrollable urge to shop and purchase.
Kellet, Bolton, 2009 (according to Dittmar, Long, Bond, 2007; Faber, O’Guinn, 1989, 1992; Kyrios, Frost, Steketee, 2004; McElroy, Keck, Pope, Smith, Strakowski, 1994; O’Guinn, Faber, 1989)	Compulsive buying is an invincible, uncontrolled stimulus that determines too expensive and time-wasting buying and that leads to negative results related to personal, social and financial problems.

Sources: Phau, Woo, 2008; Saraneva, Sääksjärvi, 2008; Johnson, Attmann, 2009; Kellet and Bolton, 2009

All conceptions presented in Table 1 define compulsive buying as a frequent and uncontrolled stimulus to buy that occurs because of internal irritants. Saraneva, Sääksjärvi (2008) state that compulsive buying cannot be identified as an obsession of buying, which is defined as hardly controlled and uncontrolled sick passion, urge to buy unnecessary and unreasoned things in practical psychology. Individuals who are unable to control buying will frequently purchase unnecessary items or spend more than they can afford, and shop for longer periods than intended (Phau, Woo, 2008).

Some researchers consider compulsive buying to be a dichotomous behaviour (Faber and O’Guinn, 1992), meaning that consumers are classified either as compulsive or non-compulsive. Compulsive buying, like many other consumer behaviours, occurs on a continuous basis. Compulsive buying can be divided into:

Normal/Non-Compulsive;

Recreational;
Borderline
Compulsive
Addicted.

It can be noticed that addicted buying is most complicated yet quite rarely occurring form of compulsive buying. In other words, consumers can experience no compulsive consumption tendencies, some compulsive consumption tendencies, or chronic levels of this behaviour (Johnson, Attmann, 2009).

In conclusion, we can state that in practise compulsive buying in many cases can be unrecognizable due to its recreational or borderline form and due to indefinable factors that could determine inclination to compulsive buying. Seeking to avoid that, it is urgent to identify the determinants of compulsive buying behaviour.

Determinants of compulsive buyers' behaviour

After the review of compulsive buyers' characteristics, especially emotional status in shopping process, the question what determinants are considered mostly influencing the phenomenon of compulsive buying is still not clear. When analysing the determinants of compulsive buyers' behaviour, Johnson and Attmann (2009) used a hierarchical model adapted from Mowen and Spears (1999). This model was composed of three traits (Johnson and Attmann, 2009):

cardinal traits consist of personality traits which are basic, underlying predispositions of individuals that arise from genetics and early learning history. There may be as many as ten cardinal personality traits;

central traits are narrower in application; they emerge from the interplay of cardinal traits, the culture in which an individual lives, and the learning history of the individual. It is likely that there are dozens of central traits.

Surface traits result from the effects of both cardinal and central traits. They represent tendencies of behaviour within specific situational contexts.

Johnson and Attmann (2009) adapted the scales that measure general compulsive buying from Valence et al. (1988), Faber, O'Guinn (1992), Edwards (1993) and proposed the model of compulsive buying behaviour in specific (clothing) context in a hierarchical manner.

Three main variables that determine compulsive buying in clothing context have been distinguished in the model:

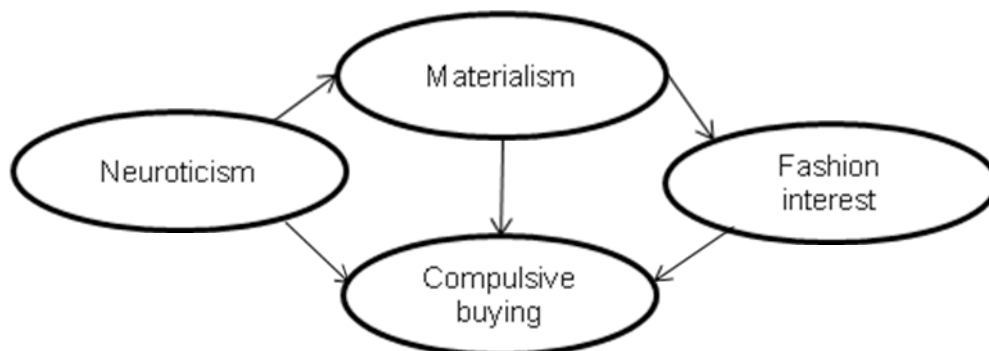
neuroticism;

attitude to money –materialism;

attitude to fashion and interest in tendencies.

The present study employed the personality trait of neuroticism as a cardinal trait, materialism and fashion interest as central traits, and compulsive clothing buying as a surface trait. Relationships among neuroticism, materialism, fashion interest, and compulsive clothing buying are presented in Figure 1.

Figure 1. Model of hypothesized relationships among neuroticism, materialism, fashion interest, and compulsive clothing buying (Johnson and Attmann, 2009)



Neuroticism. Neuroticism is one of five personality traits constituting the Five Factor Model of personality. It is characterized by calm, relaxed confidence versus nervous tension. Seeking to evaluate the level of individual neuroticism, the scales that measure an individual's adjustment and emotional stability have been created. An individual who scores high on neuroticism tends to be worrisome, nervous, emotional, insecure, inadequate, hypochondriacal, anxious, self-pitying, tense, touchy, and unstable (Johnson and Attmann, 2009). Mowen and Spears (1999) found that neurotic individuals tended to be materialistic and had a high score on compulsive buying.

Materialism. According to Pau and Woo (2008), money attitudes have impacted all areas of people's life, which include saving habits, spending, workplace performance, political ideology, charitable giving and attitude towards the environment. These authors agreed on common consensus among researchers that attitude towards money is a complex multidimensional concept which extracts both positive feelings (such as freedom, quality and love) and negative feelings (such as distrust, failure and insufficiency). Phau and Woo (2008) accepted Medina et al. (1996) opinion, that money is the most emotionally meaningful object in modern life because money is incorporated into individuals' lives and stimulates comparative behaviour between themselves and others in ways which include social power, control, quality and freedom.

Johnson and Attmann (2009) with reference to the studies by Richins and Dawson (1992) stated that material values encompassed three domains: the use of possessions to judge on the success of others and oneself, the centrality of possessions in a person's life, and the belief that possessions and their acquisition lead to happiness and life satisfaction.

While analysing money aspect, Phau and Woo (2008), citing Yamauchi and Templer (1982), have identified four dimensions of money attitude as follows:

power prestige;

retention-time;

distrust (price sensitivity);

anxiety.

These dimensions can be measured using Yamauchi and Templer's (1982) money attitude scale (MAS). An individual can be characterized according to scores collected in every dimension scale, i.e. whether he/she has an inclination to one or another dimension or not.

a) Power prestige dimension. Individuals scoring high on the power-prestige dimension consider money as a symbol of status, which allows them to influence and impress others and gives them the ability to remove obstacles that obstruct their path in achieving goals. It is assumed that this dimension has developed because the wealth has been regarded as the best indicator of a person's power and status in this modern society (Phau and Woo, 2008).

Phau and Woo (2008), with reference to Hoon and Lim (2001), theorised that individuals would purchase material possessions that confer status and symbolic respect aggressively, which in turn may lead to a compulsive desire to continue to show off their achievements and to gain respect.

b) Retention-time dimension. The retention-time dimension of the MAS describes individuals scoring high on this dimension as having high self-esteem. They also place a great value on the process of preparation to carefully plan and closely monitor their financial future (Yamauchi and Templer, 1982). In contrast, individuals with low scores are low on self esteem and tend to be very present oriented rather than future oriented. Consequently, there is little concern for the

careful management of their funds and planning of expenses (Phau and Woo, 2008).

Phau and Woo (2008) have also discovered that compulsive buyers' rate was lower on the time-retention dimension of attitude towards money than that of non-compulsive buyers.

c) Distrust dimension. The distrust dimension of the MAS describes a person scoring high in this dimension as the one who appears to maintain a hesitant, suspicious and doubtful attitude in regard to situations involving money. Such individuals tend to be insecure and wary of their ability to maximize the value of their money through efficient purchase. Roberts and Jones (2001) suggested that this dimension should be regarded as price sensitivity because the items focus on consumer's sensitivity to the price paid for goods and services. In addition, they believe that individuals who obsess over the price paid for goods and services are less likely to engage in compulsive buying (Phau and Woo, 2008).

d) Anxiety dimension. The anxiety dimension of the MAS describes a person scoring high in this dimension to be very worried and anxious about money and treating money as a source of protection from anxiety (Roberts and Jones, 2001; Yamauchi and Templer, 1982). Roberts and Jones (2001) clarified that compulsive buying was considered as a resolution to anxiety and that compulsive buyers reacted to stress with higher levels of anxiety than non-compulsive buyers did. This could indicate that although consumers may experience financial anxiety, they still tend to spend indiscriminately (Phau and Woo, 2008).

Those individuals who associate money with power, prestige, better social status as well as those who are not self-confident, not price sensitive and not able to plan future financial perspectives are more engaged in compulsive buying.

The method of payment is a variable that also very important for materialism. There are various ways of payment that can be divided into payments in cash and payments using other documents than cash.

While analysing the sources of engagement in compulsive buying, Roberts and Jones (2001)

focused on credit cards. Credit cards can differ in credit providing and refunding, services, privileges, plastic forms, types, etc.

The largest credit card market is USA with about 750 millions credit cards. There are 2.3 billion credit cards worldwide. In Lithuania, more than half a million credit cards (there are about 3.2 million inhabitants in Lithuania) were recorded in 2009.

Phau and Woo (2008), on the grounds of Pirog and Roberts' (2007) research, have found that consumers who regularly use credit cards as their main method of payment are more likely to spend more than those consumers who use other methods of payment and tend to use it beyond their ability to pay. Furthermore, Roberts and Jones (2001) have also carried on the research that proved a significant relationship between credit card use and compulsive buying.

Fashion interest. Consumer demand for continuous variety and newness in clothing products has prompted retailers to offer "fast fashion" merchandise that is produced within a compressed lead time. Johnson and Attmann (2009), on the basis of Doyle et al. (2006) as well as Hayes and Jones' (2006) works, have indicated that such intensive change of novelties induces compulsive buying. It has been estimated that engagement in compulsive buying may not only be general, but instead it can be product specific, for example clothing.

Furthermore, research carried out in Stanford University Medical Centre (2006) has revealed that although men and women can be considered equal in their compulsive buying tendencies, the product categories to which they relate their behaviour are likely to differ (Saraneva and Sääksjärvi, 2008). In other words, compulsive buyers can be both men and women, only product categories, in which compulsive buyers are engaged, are different. Women tend to exhibit compulsive buying tendencies in relation to clothing, make-up, and jewellery, i.e. goods that are related to appearance and emotional aspects of consumption. In contrast, men tend to be compulsive buyers in relation to high-tech electronics, and sports equipment (Saraneva and Sääksjärvi, 2008). Consequently, we can state that social status, good appearance

and physical appeal are very important for compulsive buyers. Clothing and accessories become a perfect means to show the position in the society; it can even be created unnaturally using luxury clothing.

The analysis of compulsive buying behaviour determinants allow concluding that Johnson and Attmann's (2009) model integrating those three determinants is valid enough on theoretical and empirical levels; therefore, it can be a relevant construct for evaluation of compulsive buyers' behaviour in specific product, i.e. clothing context.

Up-to-date research into compulsive buying behaviour has been mostly based on the results of studies from USA, Australia, Finland, etc. Johnson and Attmann, (2009) have indicated that it would be interesting to research this topic in countries that do not have a long history with a market economy such as those in Eastern Europe.

There is a lack of such studies in Lithuania; thus the present research aims to discover the features of compulsive buying behaviour of Lithuanian buyers- women in specific product context – clothing.

Research methodology

Methodology used while undertaking the research into compulsive buying behaviour among Lithuanian women who purchase clothing is presented in Table 2.

The main purpose of the research is to verify the model of compulsive buying behaviour in specific product (clothing) context (Johnson and Attmann, 2009) in case of Lithuanian clothing buyers-women's behaviour.

Tasks of the research:

to estimate the expression of neuroticism, materialism and fashion interest in Lithuanian women (buying clothes) behaviour;

to clarify relationships among neuroticism, materialism and fashion interest in Lithuanian women (buying clothes) behaviour;

to estimate the compulsivity of Lithuanian women and identify relationships with neuroticism, materialism and fashion interest;

to evaluate relationships of Lithuanian women's demographic characteristics with their engagement in compulsive buying.

On the grounds of Johnson and Attmann's (2009) research on compulsive clothing buying behaviour and determinants, five hypotheses have been developed (Figure 2):

H1. Neuroticism will have a significant positive relationship with materialism.

H2. Neuroticism will have a significant positive relationship with compulsive clothing buying.

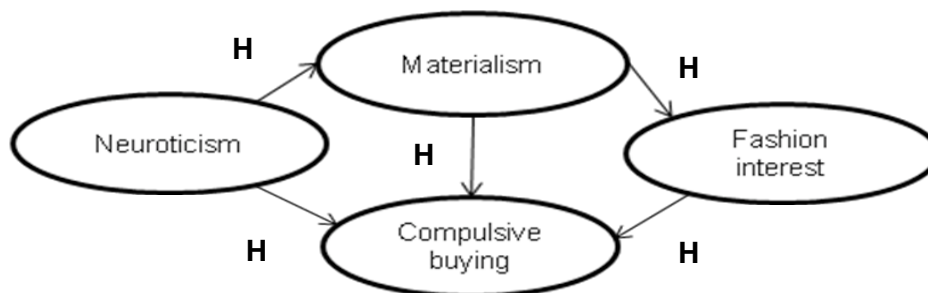
H3. Materialism will have a significant relationship with compulsive clothing buying.

H4. Materialism will have a significant positive relationship with fashion interest.

H5. Fashion interest will have a significant positive relationship with compulsive clothing buying.

Table 2. Methodology of empirical research

Methodology	Authors
Characteristic of compulsive buyer – engagement in compulsive clothing buying by women	Saraneva and Sääksjärvi (2008); Phau and Woo (2008); Johnson and Attmann (2009)
Characteristic of compulsive buyer – higher engagement in compulsive buying by young buyers	Johnson and Attmann (2009); Saraneva and Sääksjärvi (2008); Phau and Woo (2008)
Model of compulsive buying behaviour in specific product (clothing) context	Johnson and Attmann (2009)
Neuroticism scale	McCrae (1992) (according to John and Srivastava, 1999)
Materialism scale	Richins and Dawson (1992) (according to Manolis and Roberts, 2007)
Fashion interest scale	Goldsmith, Freiden and Kilsheimer (1993) (according to Bearden and Netemeyer, 1999)
Compulsive buying behaviour scale	Edwards (1993) (according to Manolis and Roberts, 2007)
Methodology of marketing research	Wright (2006)

Figure 2. The hypothesized relationships among neuroticism, materialism, fashion interest, and compulsive clothing buying (Johnson and Attmann, 2009)

Phau and Woo (2008) have estimated that there is a significant relationship of materialism with such variables as the possession of a credit card or income level. Thus it has been decided to evaluate if there is such a relationship in Lithuanian women-buyers' case. Additional two hypotheses have been developed:

H6. Materialism will have a significant positive relationship with income level.

H7. Materialism will have a significant positive relationship with possessing credit cards.

Nonprobability sampling is used in the research, i.e. convenience sample. Research of compulsive buyers' behaviour focusing on Lithuanian women (buyers of clothes) can be treated as comparable research so the sample size is determined using non statistical method (sustaining on Johnson and Attmann's (2009) research). The final sample size of our research was 273 female subjects (in case of Johnson and Attmann (2009) it was 228).

The questionnaire has been completed on the grounds of Johnson and Attmann's (2009) research instrumentation. The questionnaire included 50 questions, 45 of them were statements and 5 demographic questions.

Results were processed using Statistical Package for the Social Sciences.

Findings

When validating the raised hypotheses about compulsive buyers' behaviour in terms of Lithuanian buyers-women's behaviour, correlation analysis was employed. It is important to mention that the relationship determined in the process of correlation analysis cannot be interpreted as causality, yet only as a measure of association or relation.

The first hypothesis raised at the beginning of the research was that there was a significant positive relationship between neuroticism and materialism. In order to confirm or reject the hypotheses of this research, Spearman's rank correlation coefficient is used as well as the criterion of p-value (Approx. Sig.), on the basis of which it is determined whether a correlation is statistically significant: variables correlate when $p < \alpha$; variables do not correlate when $p \geq \alpha$ (where α is an established level of significance) (Pukėnas, 2005). It is accepted that significance level of α equals 0.05. The results of correlation analysis are presented in Table 3.

Table 3. Results of neuroticism and materialism correlation analysis

		Neuroticism	Materialism	
Spearman's rho	Neuroticism	Correlation coefficient	1	
		Sig. (2-tailed)	,156(**)	
		N	273	
	Materialism	Correlation coefficient	,156(**)	1
		Sig. (2-tailed)	0,01	.
		N	273	273

The computation results presented in Table 4 reveal that the value of Spearman's correlation coefficient is quite low (0.156), i.e. there is a very weak relationship between inclination to neuroticism and materialism. Since the criterion of p-value (Approx. Sig.) (0.010) is lower than the established level of significance (0.05), the hypothesis proposing that there is a significant

positive relationship between inclination to neuroticism and materialism is accepted.

The results of second hypothesis verification are presented in Table 4. The second hypothesis states that there exists a significant positive relationship between neuroticism and inclination to compulsive clothing buying.

Table 4. Results of neuroticism and compulsivity correlation analysis

			Neuroticism	Compulsivity
Spearman's rho	Neuroticism	Correlation coefficient	1	,258(**)
		Sig. (2-tailed)	.	0
		N	273	273
	Compulsivity	Correlation coefficient	,258(**)	1
		Sig. (2-tailed)	0	.
		N	273	273

Correlation exists, the criterion of p-value (Approx. Sig.) (0.000) is lower than the established level of significance (0.05) (0.000<0.05). Spearman's correlation coefficient is low (0.258), which means that the relationship between inclination to neuroticism and inclination to compulsive buying is weak. The hypothesis is

confirmed as the relationship is considered to be significant and positive despite its weakness.

Similar situation is reflected in Table 5, where the data shows that the third hypothesis, claiming that there is a significant positive relationship between inclination to compulsive clothing buying and materialism, is confirmed.

Table 5. Results of compulsivity and materialism correlation analysis

			Compulsivity	Materialism
Spearman's rho	Compulsivity	Correlation coefficient	1	,183(**)
		Sig. (2-tailed)	.	0,002
		N	273	273
	Materialism	Correlation coefficient	,183(**)	1
		Sig. (2-tailed)	0,002	.
		N	273	273

In the case of the third hypothesis, p-value coefficient confirmed the existence of correlation between inclination to compulsive clothing buying and materialism (0.002 < 0.01), which, although very weak, is positive. Consequently, the third hypothesis is confirmed.

The fourth hypothesis stated that there is a significant positive relationship between materialism and interest in fashion tendencies (Table 6).

Table 6. Results of materialism and fashion interest correlation analysis

			Materialism	Fashion interest
Spearman's rho	Materialism	Correlation coefficient	1	,260(**)
		Sig. (2-tailed)	.	0
		N	273	273
	Fashion interest	Correlation coefficient	,260(**)	1
		Sig. (2-tailed)	0	.
		N	273	273

Value of Spearman's correlation coefficient is low (0.260), i.e. the relationship between materialism and fashion interest is weak. However, since the value of criterion p (Approx. Sig.) (0.000) is lower than the established level of significance (0.05), the hypothesis that there is a significant positive relationship between materialism and fashion interest is confirmed.

When verifying the fifth hypothesis, i.e. whether there is a significant positive relationship between fashion interest and inclination to compulsive clothing buying. It should be emphasized that in this case the most significant and strongest correlation between fashion interest and inclination to compulsive clothing buying was determined in comparison to the cases analyzed earlier (Table 7).

Table 7. Results of fashion interest and compulsivity correlation analysis

			Fashion interest	Compulsivity
Spearman's rho	Fashion interest	Correlation coefficient	1	,499(**)
		Sig. (2-tailed)	.	0
		N	273	273
	Compulsivity	Correlation coefficient	,499(**)	1
		Sig. (2-tailed)	0	.
		N	273	273

The results in Table 8 reveal that the value of Spearman's correlation coefficient is of average strength (0.499), value of criterion p (Approx. Sig.) (0.000) is lower than the established level of significance (0.05); consequently, the hypothesis stating that there is a significant positive relationship between fashion interest and inclination to compulsive clothing buying is confirmed.

decided to verify possible significant correlations between the construct of fashion interest and the constructs of neuroticism and materialism. A significant positive yet weak correlation between the construct of fashion interest and that of materialism was determined; whereas the correlations between fashion interest and neuroticism were rejected.

Because of the most significant and strongest correlation between fashion interest and inclination to compulsive clothing buying, it was

The sixth hypothesis states that there is a significant positive relationship between the amount of buyers' income and materialism.

Spearman's correlation coefficient is negative (-0.082), i.e. there is no relation between average monthly income and materialism; therefore, the hypothesis, proposing that there is a significant positive relationship between materialism and average monthly income, is rejected.

After the analysis of correlation between possessing a credit card and inclination to

Table 8. Results of correlation analysis

Hypothesis	Estimated value of criteria p	Estimated correlation coefficient	Mean of correlation coefficient	Hypothesis accepted/rejected
H1	0,010	0,156	Very weak correlation	Accepted
H2	0,000	0,258	Weak correlation	Accepted
H3	0,002	0,183	Very weak correlation	Accepted
H4	0,000	0,260	Weak correlation	Accepted
H5	0,000	0,499	Average correlation	Accepted
H6	0,175	-0,082	No correlation	Rejected
H7	0,415	0,050	Very weak correlation	Rejected

materialism, no significant positive relationship was noticed (significance criterion p is higher than the established level of significance (0,415>0,05)); thus the seventh hypothesis is rejected.

The summary of correlation analysis results is presented in Table 8.

Having performed correlation analysis of results of empirical research into compulsive buyers' behaviour expression in Lithuanian buyers-women's behaviour, it may be generalized that five hypotheses have been confirmed (H1, H2, H3, H4, H5) and two hypotheses have been rejected (H6, H7). There were no significant relationships found between fashion interest tendencies and other factors, except for those verified according to the hypotheses.

Conclusions and recommendations

Summarising results of the research of compulsive buying behaviour among Lithuanian women and relevance of constructs determining compulsive buying of clothes, it can be stated that model of Johnson and Attmann (2009) has been proved partly. That is argued using the comparison of Johnson and Attmann (2009) and current research.

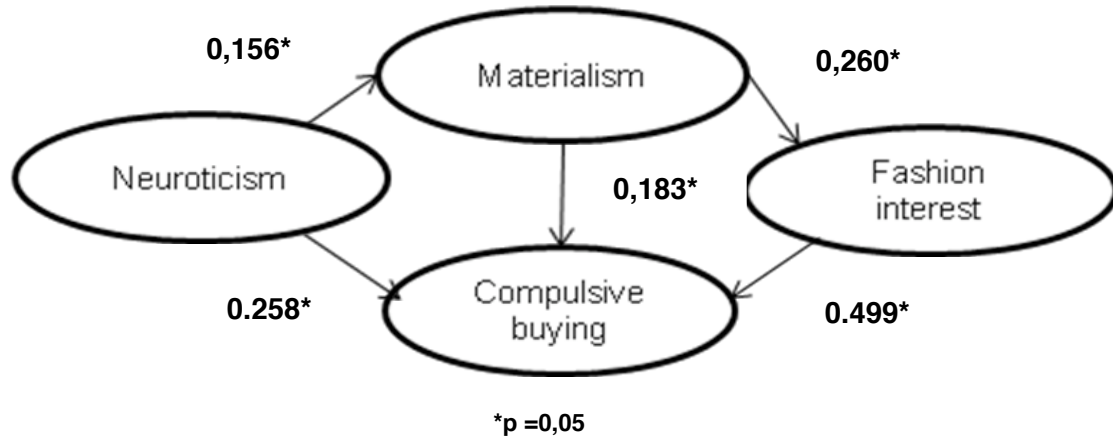
The research carried on by Johnson and Attmann (2009) has indicated that there was a strong relationship between fashion interest and compulsive clothing buying. Also significant positive correlations have identified between:

- neuroticism and materialism (0,45);
- neuroticism and compulsive clothing buying (0,35);
- materialism and fashion interest (0,46);

Correlation between materialism and compulsive buying was not significant.

Comparing these correlations with our research (Figure 3), it is noticed that the most significant positive correlation has been also estimated between fashion interest and compulsive buying (0,499).

Figure 3. Model of the hypothesized relationships among compulsive clothing buying and its determinants in case of Lithuanian women behaviour



materialism and income level or having credit cards (proved in research of Phau, Woo (2008) have not proved in Lithuanian case.

Considering results of the current research, it can be stated that there are possibilities to increase sales and attract more compulsive buyers to

The significant positive correlation between fashion interest and compulsive buying in both researches let to conclude that compulsive clothing buyers tend to have a strong interest in fashion. It can therefore be concluded that the fashion interest can be treated as one of the most important determinants of compulsive clothing buying behaviour.

Contrarily than in Johnson and Attmann (2009) findings, the significant positive relationship between materialism and compulsive buying has been estimated in present research. That's precisely why the model of these scientists has proved partly in case of Lithuanian women buying behaviour.

Results of the research have also indicated that there are significant positive relationships between neuroticism and materialism and materialism and fashion interest, and neuroticism and compulsive buying.

It may be valuable to mention that even many tested correlations have supported as in case of Johnson and Attmann (2009) model, still these correlations are weaker than in case of the research made in USA. Also correlations of

Lithuanian clothing retailing shops.

These shops should evaluate these possible constructs of compulsive buying, carry on researches and use relevant marketing tools. Short questionnaires with demographic info should be used in purpose to make database on such buyers. Findings of the research have indicated that females up to 30 years are tend to be compulsive buyers so they should be evaluated as one of the main segments. Considering correlation between fashion interest and compulsive buying shops should send continual information related with fashion, new collections to buyers. Compulsive clothing buyers are neurotic, meaning they worry and experience anxiety so it is very important to create comfortable and light interior of the shop, additional soothing means (quite music, not very bright lighting, nice smell, etc.).

Evaluating evidence of materialism, shops should use discounts, "special offers", i.e. appealing to the need of better social status and self - confidence of compulsive buyers, focusing on oneness of them. It is also very important to keep etiquette norms and customer rights.

Directions for further researches

The present study the compulsive buying of a specific product and proved that model Johnson and Attman (2009) can only be applied in case of clothing buyers behaviour. However it would be valuable to study determinants and correlations of compulsive behaviour of buyers purchasing accessories, shoes, make-up, etc.

Additionally, this model has not applied for studying compulsive buying of men in product specific context (i.e. high-technologies, electronic or sport products).

It should be noted that buying of clothes can take place not only in physical space but also in internet where compulsive buying is not enough studied.

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SPECIALITIES IN THE DEMAND OF SIGNIFICANT HUNGARIAN TOURISM PRODUCTS

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ABSTRACT

The Hungarian National Tourism Strategy focuses on investments, improving the education at different levels, developing the economic environment, keeping international co-operations, and gives an important role to the Hungarian National Tourism Office on the field of national marketing communication. The national marketing action plan concentrates on significant products, from which three will be presented.

The study reflects on the background why they are significant products to the Hungarian tourism industry, analyzes the facilities, and examines the characteristics of the demand.

The research describes one of our fastest growing tourism branch, the spa/health tourism. The paper analyzes the system, trends and breakout potentials of this tourism product.

As next MICE tourism will be raised up, as an important segment of the incoming tourism in Hungary. Hungary's competitiveness, possibilities and opportunities on the field of MICE tourism will be examined.

For cultural tourism plays an important role that in 2010 the Hungarian city Pécs as the European Capital for Culture organized all year round programmes. A prominent role is given in the study to the demonstration for the main characteristics of the Hungarian heritage tourism.

The supply of the described products can be combined in a package, so the study emphasizes synergy effects.

Keywords: Hungary, hungarian spas, MICE tourism, cultural heritage

In 2005, the Hungarian government adopted its National Tourism Development Strategy which will run until 2013. This document focuses on investments in the field of tourism, on improving education at different levels, developing the economic environment, maintaining international links and gives an important role to the Hungarian National Tourist Office in the field of national marketing communication. The National Marketing Action Plan concentrates on significant products – according to economic data - and destinations such as health tourism, heritage tourism, and MICE tourism.

If we examine the extent to which Hungarians and foreigners stay as guests in various types of commercial accommodation, we can identify the destinations that attract travellers who are interested in health tourism, heritage tourism and MICE tourism (NAPI TURIZMUS, 2010/40).

The study reflects on why health, heritage and MICE tourism are significant products in the Hungarian tourism industry, analyzes the facilities and examines their characteristics. These described products can be combined in a

package, so the study emphasizes the effects of synergy.

1. National Tourism Development Strategy (2005-2013)

According to the new National Tourism Development Strategy, tourism is not just an economic sector, but also an integral part of life. Moreover the target of the strategy is to improve the quality of life through tourism. Among the priorities of development tourism products are health tourism, heritage tourism and MICE tourism.

The main target of health tourism is to improve competitiveness and achieve sustainability. The programme includes establishing new constructions parallel to the new trends for complex tourism utilization.

The second key tourism product is heritage tourism. In the strategy heritage tourism is used to refer to tourism based on cultural values. The third key tourism product is MICE tourism, which concentrates on a large number of participants and international events. The criteria need to be synchronised to reach the targets.

2. The Hungarian National Tourist Office's Marketing Plan for 2011

In its marketing plan for the year 2011, the Hungarian National Tourist Office sets as a priority the following: marketing communication and sales promotion. In its activities we find four focus points:

2.1. Developing Brands

One of the most dynamic areas of tourism is health tourism. Only health tourism can meet the complex demands of combining the protecting of one's health and going on vacation. Hungary has a great tradition in this area and has a good position in some markets so at the international

level of tourism, this area can be key. Traditional health tourism, especially the medicinal water-based tourism is connected to the natural resources in Hungary and builds on medicinal elements such as having and using spa water. The basis of success in business (where we need to stay in the market) lies in the following areas: professional knowledge, the effective usage of natural health powers, availability, the image, and the cost-value balance. Health tourism is potentially one of the main reasons why tourists like to come to Hungary.

2.2. Marketing-communication

Communicating with Hungarian people is helping and motivating them to make decisions about personal travel. The general goal of marketing communication is to develop the image of tourism in Hungary and place its natural facilities in a new light, making it look like a natural miracle.

Based on the treasure of water, focusing on health tourism, the goal of strategic communication is brand building. However, through tactical communication, other tourist products are also revealed.

In the Hungarian offer, the elements of cultural tourism are important both overseas and in Hungary. These are: inclusive cultural traditions; programs; festivals; architectural monuments; artworks; traditions and gastronomy. These programs are also in the marketing communication. The elements of active tourism that are also in the offer include: hiking; visiting national parks; biking; horse riding; water and ecotourism. In addition, activities such as hunting; fishing; golf and other offers connected to sports are placed in the tactical communication.

2.3. Sales Promotion

The Hungarian National Tourist Office is doing the sales promotion in two ways. One is through

the B2C market toward the final customers. The other is through the B2B market in business relations. On the one hand, through public communication the Tourist Office speaks to individual people and supports private travel. On the other hand the Tourist Office communicates with professionals and does business through tour operators, travel agencies, airlines with the aim of attracting groups to travel to Hungary.

2.4. MICE

Every area of MICE is an important element in the marketing plan and the activity is not restricted to conference tourism. The strengthened specialized tourist group's (MICE) main task is finding and using the opportunities from International membership (ICCA, UIA) for sales.

The Hungarian National Tourist Office uses 65 % of the budget for direct marketing communication with tourists, which prioritizes professional activities, 25 % is used for professional sales promotion and 10 % for developing conference tourism.

In the following we are going to introduce three types of tourism which play an important role in Hungarian Tourism.

3. Health tourism

According to the results of Trip Advisor's website 'Trip Advisor is the most important portal for travellers to get reliable information and opinion from experts'. On the site, Hungary is listed among the world's top 38 medicinal tourism destinations. Hungary is listed with two destinations on that list. In the ranking Budapest is the 8th and Hévíz is the 37th among medicinal destinations. (TURIZMUS PANORÁMA BULLETIN, 2009/176)

Hungary has very favourable geothermal conditions and as a result the country offers medicinal water-based tourism in the form of Thermal Spas. The country offers many unique Thermal Spa destinations with numerous treatments. Hungary's medicinal waters primarily are beneficial for the treatments of locomotor disorders, dermatological diseases, gynaecological problems, circulatory diseases and stomach complaints.

Medicinal water-based tourism supports the Hungarian economy greatly. The importance of the sector is indicated by the following:

- According to the databank of the Hungarian Baths Association, 385 thermal- medicinal baths and open air baths are operating in Hungary. The gross annual revenue from Hungarian spas is 60 milliard HUF and more than 20 milliard HUF of this amount goes into the central budget in the form of various taxes. (TURIZMUS PANORÁMA BULLETIN, 2010/199 a) To achieve this, they receive each year 23-24 million visitors and employ 8.000 people. (TURIZMUS PANORÁMA BULLETIN, 2010/199 b)

- For Hungarians every third night is spent at a medicinal and wellness hotel, which underlines the growing importance of health tourism. (NAPI TURIZMUS, 2009/190)

- According to Hungarians, more than four are night trips. The average duration of their stay was 7.7 days. Travellers motivated by health and wellness visits stayed for 9.1 days. (NAPI TURIZMUS, 2010/196)

3.1. The Hungarian concept of health tourism

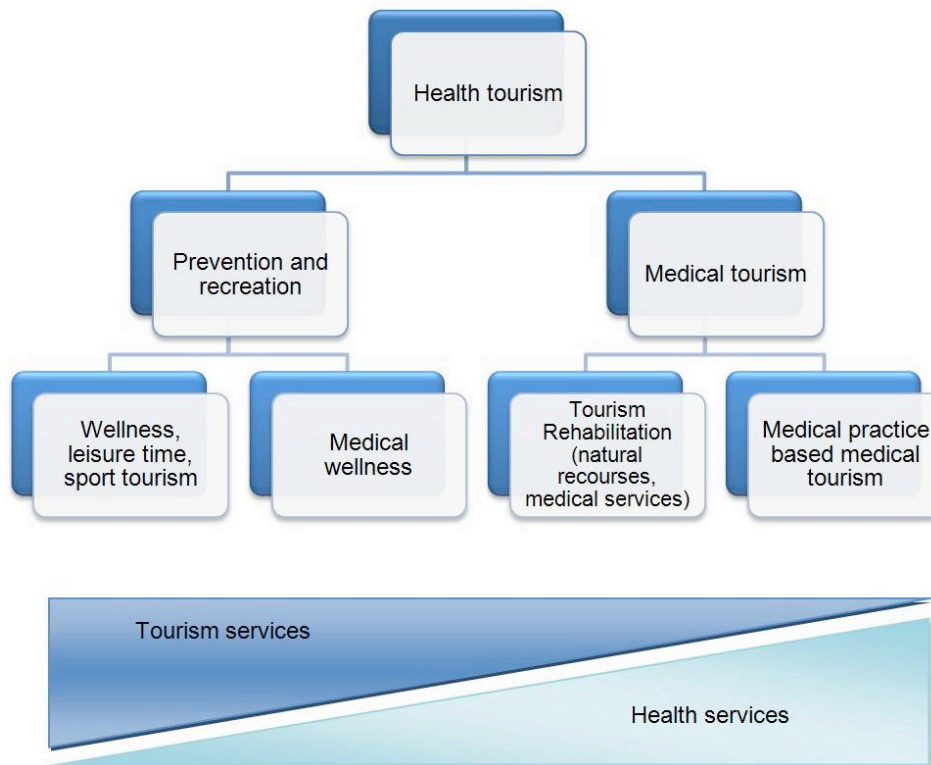
Health tourism is a complex concept. Its terminology, including the Hungarian signs was determined in 2005, when the II. National

Development Plan was prepared. The definition was drafted on the basis of the agreement between the Health Ministry and the Hungarian Tourist Office. Health tourism is the form of tourism in which the main motivation for travelling is to improve and/or to preserve the status of our health. To achieve healing and prevention, tourists require health tourism services at the destination during their stay. Accordingly there

are 2 sub-sectors; these are medical tourism and wellness tourism. (AQUAPROFIT, 2007)

The complex terminology of health tourism and the relationship between its elements is illustrated in the following figure.

Figure 1: The Hungarian concept of health tourism



Source: According to Dr. KINCSES (2010), own draft

3.2. The supply-components of Hungary's health tourism

Land of Spas and Wellness Eldorado are common adjectives often used by foreign tourism experts to describe Hungary. According to the current databank (07. February 2011) of the National Directorate of Health Resorts and Spas these terms are suitable because of these Hungarian assets:

- 213 recognized mineral water
- 218 recognized medical water

- 74 spas (medical water in the pools)
- 13 health resorts
- 5 medical caves
- 5 natural medical mud
- 32 hotels focusing on medicinal tourism

The following should also be mentioned:

Treatments are supported by the National Health Insurance Fund

Non water-based medical elements (included in the category of medical travellers/medical tourism: for example the Pető Institute, the Balatonfüred State Hospital of Cardio Department)

Medicine- based physiotherapy

Use of natural resources/medical elements for recreation at spas, cure and wellness hotels according the trend of medical-wellness

Wellness-selfness (Hungary's first selfness hotel is Zichy Park Hotel**** near Szekszárd, on the border of Bikács) and holistic hotels

Medical expertise and good value for money. (AQUAPROFIT, 2007) Unique and famous Hungarian health tourism destinations are for example the Thermal Lake of Hévíz, the Hungarian Mediterranean Beach in Hajdúszoboszló, the salt hill in Egerszalók and the Cave Bath of Miskolctapolca.

Concerning types of treatments, the Hungarian speciality is balneotherapy based on medicinal baths especially from natural medicinal springs which contain periods and healing gases, inhalation and drinking cures and also includes treatments based on hydrotherapy. Specific destinations are for example the Carbon-Dioxide Dry Bath (Mofetta) at Mátraderecske and the Cave Therapy of Tapolca.

According to the 'Europe Top 20 Wellness Hotel ranking list - compiled by hotel.info online room reservation website, the Hungarian Ramada Resort' Aquaworld Budapest is the 10th.". (NAPI TURIZMUS, 2010/218)

If we examine the extent to which Hungarians and foreigners stay as guests in various types of commercial accommodation, we can identify the destinations that attract travellers interested in health tourism as Budapest, Hévíz,

Hajdúszoboszló, Bük, Zalakaros, Sárvár. (NAPI TURIZMUS, 2010/40)

3.3. Trends in health tourism

Health tourism is a constantly developing, expanding branch of tourism. To maintain the market position and competitiveness the service providers have to follow the newest trends which suit their profile.

A new trend in creating buildings is to achieve naturalness, provide experience and with an emphasis on individuality. (PRISZINGER-MAYER-FORMÁDI, 2010) Hungarian examples of this are the hilly form of the new rest zone building in Bükfürdő with its grass-covered roof or the Aqua Palace Covered Experience Bath which invites its guests to a time and space travel. Considering sustainability for example, it is important to use the geothermal energy for instance for heating.

A wellness lifestyle helps one to overcome everyday problems and difficult situations by finding one's balance. In order to find one's balance in a holistic sense, some spas have created special packages, such as 'the balance of work and private life', 'the balance of the body', 'the harmony of being in partnership'. (PRISZINGER-MAYER-FORMÁDI, 2010)

'For Him' packages demonstrate the acceptance of men's health and beauty needs. Another trendy product is the spa for children (PRISZINGER-MAYER-FORMÁDI, 2010) with a good Hungarian example the Szent Erzsébet Medicinal Spa of Mórahalom for families. (TURIZMUS PANORÁMA BULLETIN, 2010/194)

3.4. 2011-Year of Health Tourism

As health tourism greatly supports the Hungarian economy, in the current marketing plan of the Hungarian National Tourist Office, health tourism

plays an important role until 2013 parallel with the National Health Tourism Development Strategy (2007-2013).

There are several arguments for focusing on health tourism:

Health tourism comprises a comprehensive tourism product, which includes healthy lifestyle, spas, wellness and medical services such as dentistry and laser eye surgery, etc. Also important is the creation of physical and mental health and even active tourism.

A healthy lifestyle is in fashion because health is important for everybody.

Health tourism can be characterized as having longer average stays, higher spending, higher quality of services and compared to other tourism products it is less seasonal.

Hungary offers good, valuable, special and unique destinations and services.

Our bathing culture has a great tradition. Our historical baths are famous.

There are destinations for health tourism for different target groups all over Hungary.

Hungarian health tourism is renowned all over the world for its good value and quality.

The experiences of the 2008 Year of Waters, coordinated by the Hungarian National Tourist Office, shows that 'there is a sustainable interest for health tourism in the national and international tourism market'.

The product can be clearly communicated to the international markets. (http://www.eski.hu/new3/gyogyturizmus/hirek_gyogyturizmus.php?id=19050 2011. 02. 07.)

According to the opinion of tourism experts tourism service providers, professional tourism organizations, TourInform Offices, educational institutions, representatives of the media, etc. in July 2009 it became clear that 2011 would be the Year of Health Tourism'. As the Hungarian National Tourist Office pays attention to close cooperation with strategic partners they were invited to a brain storming meeting for the preparation of the thematic year. Goals, cooperative orientations, main messages of the thematic year, national and international foundations, marketing plan, connecting products, health related researches, etc. were the topics of the discussion. (GYÜRKY, 2010)

The starting programme of the thematic year was the 'Day of The Hungarian Bathing Culture' on 9 October, 2010.

3.5. New Széchenyi Plan

The discussion paper of the New Széchenyi Plan was published on 28. July 2010. It discusses the current status of Hungary's economy and outlines solutions to the problems. It includes the development of enterprises, employment, creating houses and homes, research and development, environmental protection, utilization of renewable energy and health industry.

Among the seven key points, the first is the programme of 'Healing Hungary – Health Industry'. The programme includes the following twelve subchapters:

Health tourism

The utilization of geothermal energy

Plant gardening

- Beauty industry, cosmetics
- Production of mineral water
- Pharmaceutical industry
- Biotechnology, nanotechnology
- Production of medical instruments
- Balneotherapy
- Horizontal aspects – health industry clusters
- Health related education
- Specialized building and construction industry

guaranteed medical tourism; the protection of the natural environment and natural conditions; the development of destinations of international importance; spa and thermal renovation; improving Budapest as a medical city, a “city of spas” and “spa capital of the world”; the development of health-related education; the financial expansion of the National Health Insurance Fund including updating prices and opening up towards European insurers; the protection of water resources; forming health resort directors. (www.szechenyiterv.gov.hu, 2011.02.07.)

In Hungary medicinal-water-based tourism is the driving force of health tourism. It follows that the development of health tourism presents a realistic vision. However it is necessary to provide and establish a wide range of complex services.

The New Széchenyi Plan will start on 15 January, 2011 with a total of 1.000 billion HUF. Until that time, comments and suggestions related to the plan can be put on the www.szechenyiterv.gov.hu website. (TURIZMUS PANORÁMA BULLETIN, 2010/199 c)

Among the programme targets are: a complex utilization of geothermal energy; the catch up of under developed regions; the quality of spa destinations and medical services; quality-

While the old Széchenyi Plan focused on infrastructural development, the new Széchenyi Plan will focus on the better use of geothermal opportunities and connecting health service industry. Another difference is that the candidates can be universities and research institutes as well.

Table 1: The Hungarian health tourism SWOT analysis

Strengths	Weaknesses
Richness in thermal and medicinal water	Lack of infrastructure at health tourism destinations
Tradition of spa culture	Lack of communication and cooperation between medical profession and tourism branch
International reputation of Hungary’s medicinal waters	Lack of marketing approach
Spreading of prevention among the population	Lack of obligation to supply information in health tourism
Quantitative and qualitative changes in health tourism thanks to the developments in the past few years	Lack of foreign language knowledge among the service providers

Accumulated knowledge and experience	Lack of medical research and support of the healing effects the natural resources
Opportunities	Threats
Growth of new and special needs of health tourism products	Increasing competition with the surrounding countries, primarily in the field of therapeutics
Growing interest of foreign private insurances in Hungarian health tourism service providers	Lack of service specialization
Enforcement of Hungarian medicinal water rating system in the legislation of the European Union	Declining price-value ratio
Experience and know-how can transfer abroad (for example franchise for balneotherapy)	Medicament lobby is against the healing natural resources
More media appearance	Negative environmental impacts of the healing natural resources
2011 - Year of Health Tourism	Continuing complaints about hygiene status of spas

Source: AQUAPROFIT, 2007

3.6. Summary

Hungary has considerable potential in its thermal water. However the innovation of additional tourism products can not be neglected. Thanks to nature, Hungary is a hot spring superpower, but in order to become a health tourism superpower, it still has a long way to go. Domestic experts consider that the following should be undertaken:

Create tourism law and update rules for operating spas

Establish a Central European Balneology Centre to realise the foundation of research development and innovation

Update and adapt training requirements from bachelor to doctoral programmes to the market demands

Create additional services because of the longer duration of stay at destinations

Establish a code of health tourism employment

Use energy-saving options (geothermal energy, biomass, solar energy, etc.) (SZÁNTÓ, 2009)

It is essential for professional collaboration to occur for Hungary to become a health tourism superpower. For this reason, the way forward is to establish a global mindset, which requires local action and the need to establish a "glocal" approach. Co-operation between professionals is useful because of cost savings. Moreover, the importance of partnerships between the markets players is increasing because of globalization. It also strengthens regional competitiveness supported by local uniqueness's. So globalization strengthens localization. This means the way forward is a global mindset, which requires local action and the establishment of "glocal" view (MARKÓ, 2007). From this point of view, the medical effects and results should be underlined in the marketing of the spas. Future mission of the development of health tourism is to serve and improve the quality of population's life.

4. MICE tourism

This name of MICE tourism is an acronym formed from the following words:

Meetings

Incentives

Conferences

Exhibitions

Among the areas of MICE we should focus on is conference tourism because Hungary is quite strong in this area although clearly the other elements are also important for the economy.

Nowadays this form of tourism in the international tourism market is also called the Meetings Industry. The classical three rules that tourism needs time, money, and motivation, also apply to MICE tourism, given that travel takes place during work time at the employer's expenses and for the employer.

Guests who are involved in MICE tourism represent their own profession and speciality and through successful meetings on business trips, generate the development of other professional areas. Guests who go on business trips very often return to the same destination as private tourists.

4.1. MICE tourism in Hungary

Conference tourism in Hungary has been developing rapidly during the past few years. The economic crisis did not effect conference tourism globally. Indeed the researcher registered 800 more events in 2009 than in 2008. Unfortunately the Hungarian results are lower than this (ICCA, 2010). In the 1st chart, which shows data for the years 2006 to 2009, we can find the most important characteristics of MICE tourism. The data for 2008 shows that there was a 9.5 % growth in the number of conferences. However, the international economy crisis has affected the professional tourism market: in 2009 there were 33 % less international events in Hungary than in the previous year.

Table 2: Key data for Hungarian MICE tourism

	2006	2007	2008	2009
Number of International Conferences	431	485	531	356
International Fairs, exhibitions	29	32	57	90
Other events	-	12 549	19 365	15 758
Conference Participants from Hungary	24 635	27 598	27 485	17 143
Number of Foreign Participants	56 727	62 079	92 015	64 880

Source: Hungarian Convention Bureau, 2010

MICE tourism in 2011 has an important role in the Hungarian National Tourist Office's marketing activities in foreign countries, because conference tourism is an important segment of incoming tourism to Hungary.

4.2. The supply components of Hungary's MICE tourism

One determining factor of conference tourism is being on the market with a good amount of good quality offers. We can find the following areas on offer in conference tourism: Congress Halls; Conference Centres; Conference Hotels; Catering trade units; sport halls; museums; PCOs (Professional Congress organizers); DMCs (Destination management companies).

Conference tourism can not develop in a destination which does not possess the following qualities. These qualities are not classic tourist facilities in conference tourism, but include such things as international recognition, research work, or well-known accredited universities. These would appeal to and bring professionals into Hungary. These elements are necessary for conference tourism to be competitive in the market.

Besides organizational and personal conditions, it is also important for conference participants that the infrastructural facilities of the Congress Centre and the host City/Country, its political stability and other touristic facilities are of a high standard.

From the offer elements, other services are connected to leisure tourism. So it is important for the whole branch of tourism to establish the right infrastructure. Although in Hungary more and more towns in the countryside own program places where they could host bigger international events, a poor general infrastructure and lack of number of quality hotels means that foreign interest is mainly focused on Budapest. Budapest has a strong image overseas but the towns in the countryside are less well-known, an image which could be rectified if conference places in the countryside cooperate more.

It is important to introduce conference towns in the countryside into the international market to strengthen the international standing of Hungary. In 2007, besides Budapest only Pécs was on the UIA list. In 2008, 13 other towns (Balatonalmádi,

Balatonfüred, Debrecen, Győr, Miskolc, Szeged, Székesfehérvár, Veszprém etc) were added. The differences in the economical and development levels of the competitor countries and towns shows that in Hungary MICE offers have to be ready for strong competition. Another disadvantage is that in the surrounding countries several PCO (Professional Congress Organizer) have been formed during the last few years and there are city congress offices. We cannot find something similar in Hungary. The competition is influenced not only by different destinations and different conference infrastructure but by the following elements as well:

the level of service

the differences in character and strength of destination communication

the actual fashion which prefers different towns and cities in different years or period of time (HCB, 2008).

Concerning competition, price and expense has a most important role surpassing even the others. Based on experience, the sensitivity to price usually relates to the French and German procurers.

The biggest problem in the conference market is the lack of a good and special infrastructure. At the same time the Hungarian organisers provide a higher level of service compared to other countries.

The facilities of Budapest for receiving conference tourism are quite good. Hungary can be reached easily because of its ideal geographical location, the airport has direct connections to most European big cities. It is an ideal place for East and West to meet. Hungary has a famous academic and scientific history and it is a great place to hold conferences. Many medical and economical conferences return to Hungary. The spa water resource of Hungary, the culture of bathing, and high level of wellness service can be special additions to the different conferences and congresses.

Hungarian cultural programs, festivals are internationally renowned, just think about the Budapest Spring Festival or our Wine Festivals. Internationally famous Hungarian dishes, drinks, wide offer of quality wines can be an extra gastronomic experience to an individual's time here (HCB, 2005).

The biggest shortcoming to this country and the capital regarding conference tourism, is that the biggest conference hall can only hold a maximum of 2000 people. It is possible to rent other places but they are not really built to accommodate conferences.

Table 3: Conference Halls in Budapest

Name	Description	Number of meeting halls	Total capacity	Maximum capacity of the biggest hall	Exhibition space in m ²
Budapest Sportarena	Multipurpose venue	11	12000	9700	10000
Budapest Congress & World Trade Centre	Congress centre	17	2526	1755	1500
ELTE University and Congress Centre	Congress centre	36	5155	1100	1600
Hungexpo Company Limited for Fairs and Publicity	Fair Centre	5	6630	3000	54000
Rhéma Conference Centre	Conference Centre	6	3167	1000	1747
SYMA Events Hall	Sport and Event Centre	5	640	220	

Source: <http://www.europeancitiesmarketing.com/finder/Organisers/Search.aspx>

If we look at other conditions we can say that our professional, well-experienced organisers and conference sites can provide great, high level services. In Budapest there are presently 16 five-

star and 54 four-star hotels, with a high level of service. The business tourist can choose from among these hotels when they come to our country.

Table 4: Hotels in Budapest

Rating	Number of hotels	Number of bedrooms	Number of beds
*	5	168	559
**	10	535	1408
***	76	5296	11594
****	54	7621	15729
*****	16	3663	7424

Source: KSH 2011

In the countryside, during the last few years in Keszthely, Sopron, Szeged, Siófok, Balatonfüred, Eger, Pécs and in Debrecen new congress halls and conference hotels were built. However, we can also say that in the countryside the towns lack five-star hotels. There were only three five-star hotel in the countryside in 2008. In 2009, this number grew to eight.

the Hungarian National Tourist Office. Unfortunately this marketing activity is much less in Hungary than in competitor countries. The Hungarian National Tourist Office's budget limit for tourist marketing in 2011 is 7.9 billion HUF, from which the organisational expenses should also be provided for.

Marketing activity connected to conference tourism is conducted by the Hungarian Convention Bureau (HCB) under the auspices of

Usually the congress office's organizational expenses are financed from state money but we should make a comparison with other European examples.

Table 5: Financing Congress Offices

	City Congress Office (EU)	National Congress Office (EU)	Hungarian Convention Bureau
From state money	50%	70%	85%
From membership fees	30%	20%	-
Other incomes (airport, Chamber of commerce, lottery company etc.)	20%	10%	15%

Source: HCB, 2009

We can see the financing can be done in different ways. In Europe besides the state money, the congress offices not only collect membership fees but also receive other income from organisations connected to tourism.

In Hungary today the Hungarian Convention Bureau exists mainly from state money. In the future, if we are able to found a Budapest Congress Office it should follow the European pattern and should involve entrepreneurs who can support the Office.

In 2004 the Conference Ambassador Program started to work in Hungary, the goal of which is to bring the meetings of international organisations to Hungary. All Hungarian organisations who belong to an international organisation, can attend the program and see how to cater for an International conference to Hungary.

4.3. Development possibilities

The market segment with the highest expense is professional tourism (C&I). Regarding MICE tourism, during the economic crisis we need to help the places in Budapest which can hold maximum 500 people but which meet the international standard. In the countryside we need to support the entry of the rapidly developing conference centres into the market. The new conference centre, which can hold more than 5000 people and developments carried out

in the place of Hungexpo can provide new possibilities in the future to strengthen this segment.

The Hungarian Convention Bureau needs to continue its active membership in the biggest professional organizations such as the ICCA and the UIA.

It is necessary to send a straight marketing message to the C&I segment, which states that Hungary is an attractive destination for incentive-tourism and an ideal place for middle-sized and small-sized conferences. Hungary has great abilities in the area of professional incentive-tourism.

In the future for Hungary and Budapest to maintain their competitiveness, it is necessary to establish the city (Budapest) Congress Office. The goal of this Congress Office besides making destinations popular, is also to bring more and more MICE events to the city. It should be pointed out that that this office mainly carries out marketing activities and does not organise events so its market activity is neutral.

In summary, SWOT analysis of MICE tourism can help to illuminate the future situation and the possibilities for conference tourism.

Table 6: SWOT analysis of MICE tourism

Strengths	Weaknesses
Cost-to-value ratio is extremely favourable Central geographical location Active scientific background Professional and creative organizers General touristic attraction Security	Lack of conference centres with enough capacity Lack of Infrastructure Budapest-centred
Opportunities	Threats
Building enough Conference centres with the right capacity Strengthening the Conference Ambassador Program Initiating professional cooperation	Lagging behind because of poor infrastructure Development of the surrounding countries General economical recession

Source: According to Hungarian National Tourist Office (2009), own draft

Based on the above mentioned information, we can say that Hungary is a destination which is very much liked in the conference market. However there is much still to be done to achieve better results so that we do not lag behind other developing surrounding countries.

The first and most important task is to build a conference centre in Budapest which can host 4000 people. Hungary can fruitfully use its academic and scientific background and deepen its relationships and cooperation with international organisations. In this, the Hungarian Convention Bureau has a great advisory and facilitatory role to play. As far as Conference Ambassador Program is concerned, it has been working well for the past few years and it should be developed more.

There is a threat from a lack of infrastructure which can result in Hungary lagging behind its

other competitors. Competitor cities (Vienna, Prague) have recognized already that supporting MICE tourism can bring positive effects to the destination.

To develop the MICE market, the image of Hungary should be improved, promoted and also form invitation messages. More state and local government involvement is also needed to develop MICE in the market.

There are three main things to be accomplished to maintain our competitiveness.

Develop infrastructure: transportation and conference centres

Emphasize the role of the countryside

Develop the marketing side

If we can develop these elements, Hungary's Conference tourism can remain among the world's most popular conference places. The National Tourism Development Strategy (2005-2013) has set the following goals: 'The Congress Tourism's goal is enlarging the attractive side of Hungary as a destination for conference tourism, increasing the number of International conferences in Hungary, so our country will be able to strengthen its position in the international congress market'. For this we need to organise different activities and to use our possibilities.

5. Cultural tourism

In 21st century tourism, one of the most important phenomena is the increasingly active appearance of historical heritage and cultural events. With the general knowledge of society improving, people have become more interested in the constructed and intellectual relics of historical heritage. As discretionary income increases, there is a growing demand for knowledge of the culture of different regions and towns.

The National Strategy of Tourism development regards heritage tourism is as the second most important tourism product. Heritage tourism is concerned with similar areas to cultural heritage tourism, so it involves the development of products that preserve natural heritage such as national parks, horse riding tourism, rural tourism and gastronomy and wine tourism. In this study we put great emphasis on the strict sense of cultural tourism.

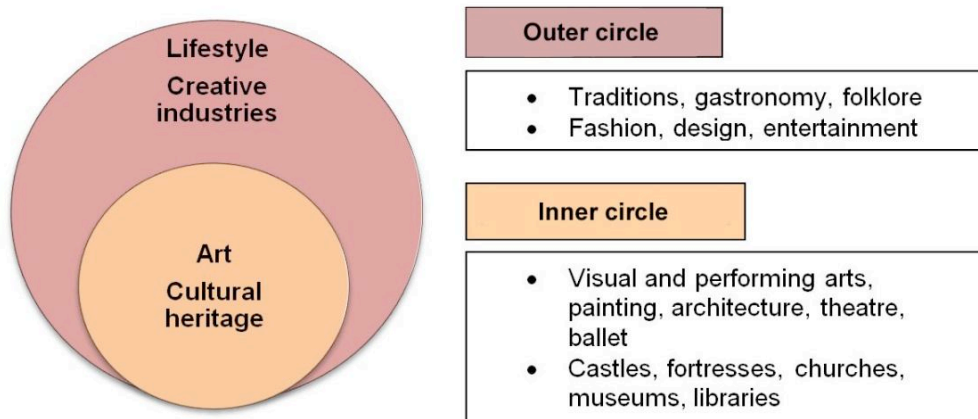
Cultural tourism is a branch of tourism in which the cultural motivation serves as the most important reason for travel. The WTO-ETC defines cultural tourism as visiting cultural sites away from domicile, and its aim is to obtain new information and experiences for satisfying cultural needs.

The word culture does not mean the same to different age groups: while for the age group between 18-40 it refers to custom, tradition and nation, for people over 40 it means a lot more: it is part of our literacy, fastidiousness which represent value and knowledge. (TB XII/3)

In 2004 the WTO-ETC carried out research regarding cultural tourism of European towns. During their research they divided culture into two big groups, the so called inner and outer circle. Heritage and the arts belong to the inner circle of cultural tourism. The concept of heritage involves monuments, the constructed heritage, the works of the past. The different branches of visual and performing arts such as painting, statuary, literature, and contemporary architecture belong to the arts.

The outer circle of cultural tourism involves areas which are closely connected to everyday life, such as life-style (traditions, gastronomy, folklore) and creative industries like fashion, design, film, entertainment. (SULYOK, 2005)

Figure 2: Forms of cultural tourism



Source: The author's own compilation based on WTO-ETC information

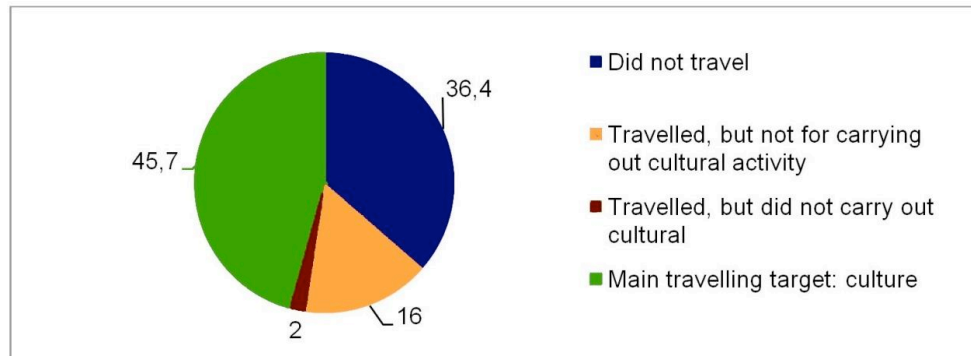
From Figure 2, you can determine that the core of the “culture-circle” involves the arts, our monuments that is, the past. The outer circle is the present, everyday life, which still carries the values of the past as well.

Sightseeing trips is the top choice regarding the two intertwined circles. At presentations classical sightseeing forms emphasizes elements within the inner circle, while the alternative, thematic sightseeing emphasizes more the elements within the outer circle, the uniqueness, the atmosphere of the place.

5.1. Cultural tourism in Hungary

Hungarian National Tourist Office (Magyar Turizmus Zrt.) launched the Year of Cultural Tourism in 2009 and the Year of Festivals in 2010. Related to this, different researches have examined the cultural travelling customs of the Hungarian population. Results suggest that the opinion about the cultural supply is positive, furthermore, the events, the festivals, the choice of local food and drinks and the uniqueness of the towns' cultural heritage are recognised. During cultural travel, the most frequent activity is visiting monuments, fortresses, churches, that is to say, constructed heritage. On the other hand, participants who did not travel for cultural targets highlighted the visiting of historical sights, monuments, spas or the pleasure of gastronomy. They were not interested in culture, rather, they wished for experiences. (TB XII/3)

Figure 3: Domestic cultural travel customs



Source: According to Hungarian National Tourist Office (2009), own draft

Hungary is rich in tourist attractions but only Budapest, Lake Balaton and the main spas have international attraction. All the other attractions, however important for us Hungarians, have only national or regional significance. In a survey published in English in January 2010 the list of 100 cities was covered in terms of international tourist arrivals. In this ranking Budapest is the 38th city. London attracted the most tourists, even though visitors' numbers decreased by 2 % between 2007 and 2008. Despite this London could precede New York City which is the second most visited city with a rapid increased number of visitors. It is bad news for Hungary that Prague and Vienna, our main rivals precede us at position 13 and 10 respectively. With regard to only the European towns Budapest is 11th in the ranking (Euromonitor International's Top City Destination Ranking).

Why do foreign tourists visit Budapest? What are the main attractions of the capital? For these questions the BHT Budapest Service Co. (BHT Budapesti Szolgáltató Kht.) wanted to find answers in an on-line survey in the summer of 2008. In this research c. 6500 questionnaires were evaluated.

Among Budapest's attractions culture and world heritage were the first and were marked by 82 % of the respondents. They were followed by the

spas (45 %), and the built heritage (40 %). In Budapest the events, festivals, cultural programmes were great attractions (38 %), but the wine and gastronomy supplies (24 %) play an important role as well. The results of the questionnaires filled in locally reflect that the tourists in Budapest are attracted mainly by the built heritage.

Hungary is a country with a distinguished 1100 year past with a rich history and unique culture. Hungary's peculiarity is in its multicoloured uniqueness. The Hungarian language is unique too, as it differs from the neighbouring countries' languages of Slavic and German origin.

We can be worthily proud of our architectural values. The architectural values of different ages and styles are situated close to each other. The monuments of the Roman age can be found in Aquincum (Óbuda). In Szombathely one of the most 'unbroken' mosaics can be seen. The Romanesque Age's beautiful representatives, the wide, fortress-like churches stand in Ják, in Lébény and in Bélapátfalva. The Gothic influence can be seen on the streets of Buda Castle. The Renaissance castles have been rebuilt as well (Sárvár, Sárospatak). The furthest northern Turkish architectural monuments can be seen in Hungary e. g. in Pécs and Eger. The magnificent Baroque castles are open in the Esterházy-

estate, in Fertőd, or in the Grassalkovich Castle in Gödöllő (now the meeting place of the Hungarian EU presidency). The monumental representatives of classicism are the great churches such as St. István Basilica in Budapest and the Catholic Cathedral in Esztergom. There are some beautiful examples of Art Nouveau in Budapest (Arts and Crafts Museum, Geological Institute) or in Kecskemét (Cifra Palota, Town Hall). Good examples of modern and contemporary architecture are the National Theatre in Győr, or the Palace of Arts in Budapest.

Today Hungary has nine locations on the World Heritage List. However, even if these places are unique from a Hungarian perspective, they do not have a real marketable appeal globally: if they could develop a complex product integrating different attractions, then the situation would improve. This might include for instance combining an exploration of the beautiful landscape of Lake Fertő with a visit to the castle and a wine tasting.

Throughout Hungarian history a great number of fortresses and castles have been built, which show the main features of the different ages. They are located all over the country, most of them functioning as tourist attractions. About 80 castles and mansions provide accommodation as well as wellness or conference possibilities. In most castles there are museums where visitors can gain an insight into the former owners' everyday lives. In addition, they often represent a particular branch of science related to the family. For instance, at the Széchenyi castle at Nagycenk there are exhibitions such as the History of Steam Shipping or The Hungarian Industry from Széchenyi to the 20th C. Furthermore some fortresses house castle theatres or castle tournaments such as the Castle Theatre of Gyula, the Palace Tournaments of Visegrád.

Table 7: World Heritage Sites in Hungary and the year when UNESCO inscribed them in the World Heritage List

Cultural World Heritage	Natural World Heritage	Cultural Landscape	Intangible Cultural Heritage of Humanity
Buda Castle (1987) Andrássy Avenue (2002)	Caves of Aggtelek Karst (1995)	Cultural Landscape of Lake Fertő and Hanság (2001)	“Busó” festivities at Mohács: masked end-of-winter carnival custom (2009)
Old palóc village of Hollókő (1987)	Hortobágy National Park – Puszta (1999)	Tokaj Wine Region	

		(2002)	
The Benedictine Arch-abbey of Pannonhalma (1996)			
Early Christian Necropolis in Pécs (2000)			

Source: The author’s own compilation based on the List of World Heritage

Cultural festivals, ‘standing alone’ can also be considered tourist attractions. They can play a supply-side role, which means that visitors come to the place specifically for the event. In this case it is called a primary attraction. In most cases, festivals offer interesting, appealing programmes to tourists so they have a certain accompanying attraction for the visitors arriving in the area.

This idea is supported in a survey carried out by the ‘Magyar Turizmus Zrt.’ in 2008. According to the survey, 11 % of ‘cultural travellers’ that is, those for whom the primary aim of their trip is a cultural event, took part in a festival even if it was in fact not the primary aim of their trip. (BENEDEK, 2009)

Unfortunately only a few international attractions or events providing a country-wide image are available. Festivals organized in Budapest attract the most visitors. However, in the country a great number of festivals (c. 3000 annually) are organised. Furthermore the value of these festivals lies on the fact that they are capable of lengthening the tourist season, moreover to modify seasonality.

The most well-known and popular Hungarian festivals are: Sziget Festival, the Debrecen Flower Carnival, the Budapest Spring Festival, VOLT Festival Sopron, the Hegyalja Festival Tokaj, the Mohács Busó Masked Procession, the Valley of Arts Kapolcs, the Miskolc International Opera Festival, the Szeged Open-Air Festival, Balaton Sound Zamárdi, the Budapest

International Wine And Champaign Festival, the Baja Fish Soup Festival.

In 2010, Pécs played a prestigious role among festival towns because this town was Hungary’s cultural ambassador as one of the European Capitals of Cultural. Diversity of Europe appears in Pécs and the values of Pécs appear in Europe. ECC programme planning tried to create a festival structure available after 2010 and supplied the town with new possibilities for cultural tourism. Some important cultural programmes included: the Gyugyi (Zsolnay) Collection, the Bauhaus Exhibition, the Ördögkatlan Festival, the Pécs Spring Festival, the Heritage Festival, the International Dance Meeting, the Rock Marathon, Europe of Eights. The Music and Conference Centre, the Zsolnay Cultural Quarter, the University Library and the Centre of Knowledge belong to the most significant infrastructural development. The number of guests has increased 26 % and compared to 2009, the tourist industry has revived. According to inhabitants, the quality of life has changed positively, this town needed renewal.

In the national tourist market there are only a few innovative, complex and modern tourist products whose uniqueness specialises in offering something appealing: theme tours, theme parks. At present there are three sites, Ópusztaszer National Park, the Hungarian Rail History Park in Budapest and the Renaissance Estate in Bikal, which are of national or regional importance. The theme roads are: Palóc Road, which calls

attention to the traditions and architecture of ethnicity; the Hungarian region of St. Martin Road; and the popular wine Routes: the Villány-Siklós Wine Route, the Southern-Balaton Wine Route. Nowadays thematic sightseeing tours enrich the supply, mainly in Budapest: the Nyócker Tour which is a walk in the 8th district, in Józsefváros; the Retro Tour; Messenger Walls, or the secret language of the ornaments on town's building; a walk in the Jewish Quarter.

effectively. If traditional tourist products are usefully revitalised, this will help sustain the rural population and improve rural tourism.

The sites can obtain higher income if architectural values are consciously and prudently utilised. This in turn will ensure a financial base to keep and develop their value.

5.2. Development opportunities

Concerning the above mentioned cultural tourism circles, it can be stated that Hungary possesses sources and attractions that specify its cultural tourism. To develop these sources into real attractions a complex development is needed that intertwine the four A's:

Attraction

Approach

Accommodation

Attitude

The world heritage sites must be regarded as target sites of tourism and developing their attractions for visitors is essential (completing visiting centres, organising events). It is also necessary to incorporate services that increase the number of visitors to museums and exhibitions of contemporary arts. Visiting these places can be made more interesting by experiential elements or by using creative, interactive methods.

The number of events that strengthens our country's image should be increased, or the quality of events already available needs to be improved. An important purpose of each tourist region could be to hold a big, outstanding event that serves as the main attraction in that region. These, on one hand can enlarge the number of the region's visitors, on the other hand they improve Hungary's positive tourist image.

While regional development is underway, it is important to preserve architecture, landscape and folk traditions and to provide them

Table 8: SWOT analysis of Cultural Tourism

Strengths	Weaknesses
Budapest, as a metropolis is an international attraction	Budapest-centred
Diverse heritage of 1000 years' history	Interpretation of modern, contemporary art
Reserved traditions of regions, ethnicity	Festivals, events lack coordination regarding timing
Local food and drink belong to cultural supply	Lack of awareness of visitor management
Outstanding artists of music, dance, theatre	
Opportunities	Threats

<p>Develop visitors' centres</p> <p>Exhibit cultural sights with modern experiential elements</p> <p>Thematic sightseeing</p> <p>Develop theme and experience parks</p> <p>Increase demand for Euro-regional products (Budapest-Vienna-Prague trips)</p> <p>Opportunity for cooperation with the other European regions</p>	<p>Lagging behind due to lack of infrastructural investment</p> <p>Neighbouring countries Increasing their heritage tourist supply</p>
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Source: According to Hungarian National Tourist Office, own draft

6. Cooperation between tourist products, synergy effect

Three priorities of tourism development are intertwined in several fields.

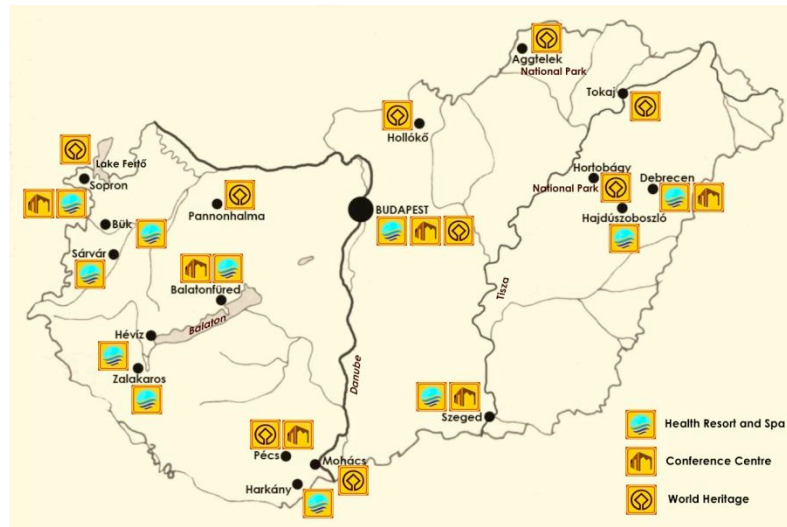
In previous years MICE tourism has entered the Hungarian market nearing conference tourism and health tourism. High class hotels are now aware of the fact that business guests, conference participants demand health preservation, relaxation after official programs. A few years ago wellness services were a great advantage, today wellness services are essential. Wellness treatments can complete official programmes, the demand for preservation appears at the tourist segments for the target groups for conference tourism. Thermal water sources, a spa culture and the high-standard

wellness services of Hungary can complement the different conferences and congresses.

6.1. Cultural tourism, town tourism, wine and gastronomy tourism

Each branch of MICE tourism is connected with these types of tourism. Before (pre), throughout and after (post), free time activities can help participants to relax. Cultural programmes, sightseeing, active or passive sport programmes, tasting wine, etc. can be considered free time activities. Incentive tourism is related to these tourist branches. Health tourists stay longer, so they happily participate in the cultural opportunities provided locally.

Figure 4: Main destinations of significant Hungarian tourism products



Editor: Porcza Á. – Husz A. 2011

In order to remain competitive in the tourism market, Hungary needs to create innovative and complex tourist programme packages. The map presents the concentration of product types. Hungary will have the chance to generate quality services, to increase its competitiveness if it takes real advantage of its capacities and takes the changing consumer demands into account. It can then become a destination that is able to renew itself.

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INVESTIGATING COSMETICS PURCHASE OF INTERNATIONAL TOURISTS IN SOUTH KOREA

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Abstract

In recent years, the tourism industry has witnessed substantial increases in the number of international tourists worldwide. Tourists from Japan and China, who account for more than 50% of all visitors to Korea, are likely to purchase cosmetics products, partly because of the so-called "Korean wave," a widely accepted form of Korean popular culture across Asia. This study examines the cosmetics purchase behavior of Japanese and Chinese tourists visiting Korea and investigates various factors influencing their purchase behavior. Questionnaires were collected from October 1st to 17th, 2010 from 93 Japanese and 131 Chinese female tourists. The results of the study indicate significant differences between the two groups for most of the variables. In general, Chinese respondents were more likely to be satisfied with and have a favorable view of Korean cosmetics products. Both groups considered cosmetics prices to be competitive. Both groups considered fashionability to be an important attribute. The purchase amount was significantly related to information sources and benefits sought for Japanese respondents, whereas it was significantly related to exposure to the Korean wave, benefits sought, attitudes toward Korean cosmetics for Chinese respondents. The purchase amount was not significantly related to the number of visits, monthly income, and age for Japanese respondents, whereas it was

significantly related to all three variables for Chinese tourists.

Keywords: International Tourists, Cosmetics, Korean Wave, South Korea

I.Introduction

Globalization has played an increasingly important role in all areas of life, including business and culture. There have been substantial increases in the number of people visiting other countries for a wide range of purposes, including family reunions, sightseeing trips, cultural exchange programs, and business trips, among many others. Thus, many countries have placed great emphasis on the tourism industry, particularly on financial benefits from foreign tourists.

The number of foreign tourists visiting Korea has increased steadily. In 2010, 8.8 million foreign tourists visited Korea (a 12.5% increase from 2009), and 10 million visitors are expected in 2011 (Foreign tourists, 2010). In particular, the so-called "Korean wave" has played an important role in this steady increase in foreign tourists. In recent years, Korean movies, TV dramas, and

popular music have been widely accepted in many Asian countries, including Japan and China, and many Korean singers and actors have become very popular in those countries. This widespread acceptance of the Korean wave, a form of Korean popular culture, has led to the popularity of clothes, makeup, hairstyles, and accessories shown in Korean dramas, movies, and music videos. Kim (2002), Kim & Park (2004), and Jung (2006) found a positive relationship between the perception of the Korean wave and attitudes toward Korea and Korean products in some countries outside Korea.

In 2010, Japanese tourists accounted for 34.4% (3.0 million) of all foreign tourists visiting Korea, followed by Chinese tourists (21.6%; 1.9 million) (Korea Culture & Tourism Institute, 2010). Thus, tourists from these two countries account for more than half of all foreign tourists visiting Korea. There was great increase of Japanese tourists visiting Korea in 2009 (3.0 million) from 2.4 million in 2008, partly because of the favorable exchange rate, and this trend continued in 2010. On the other hand, Chinese tourists have been visiting Korea in increasing numbers since China and Korea resumed formal diplomatic relations in 1992, and the number spiked from 1.3 million in 2009 to 1.9 million in 2010, a 39% increase (Korea Culture & Tourism Institute, 2010). This large increase may be due to the relaxation of the visa application process for many Chinese visitors to Korea.

These Japanese and Chinese tourists have been spending more while visiting Korea. On average, Chinese tourists spent \$2,204 in 2010 (a 40.2% increase from \$1,418 in 2009), and Japanese tourists spent \$1,229 in 2010 (a 16.3% increase from \$1,057 in 2009) (Chinese tourists, 2010). The stronger yuan and China's economic growth are expected to further stimulate Chinese visitors to Korea. Further, given the substantial increases in the number of Chinese and Japanese tourists and their expenditure, it is clear that these tourists would continue to have considerable influence on Korea's tourism industry.

Accommodation accounts for the largest share of the total expenditure by foreign tourists in Korea, followed by shopping (Jeon & Han, 2003). In terms of shopping, food products account for the largest share of purchases, followed by cosmetics. However, more tourists have been purchasing cosmetics. In the first quarter of 2009, Chinese tourists were most likely to purchase food products (35.9%), but in the fourth quarter, they were most likely to purchase cosmetics (45%). On the other hand, food products have remained the most popular choice among Japanese tourists: 66.4% purchased food products in 2009, whereas only 25.3% purchased cosmetics, the second most popular item that year. However, like Chinese tourists, more Japanese tourists have been purchasing cosmetics: 18.4% purchased cosmetics in 2008, whereas 25.3% did in 2009 (Korea Tourism Corporation, 2009).

Although many studies have examined purchase behavior for a wide range of consumer products (e.g., automobiles and electric appliances), few have focused on cosmetics. Further, very few studies have examined cosmetics purchases by tourists. Recent studies have found that exposure to Korean culture and the image of Korea as a country can influence the purchase of Korean cosmetics by Chinese (Kim, 2010) and Japanese customers (Suzuki, Jung & Lee, 2010). This raises the question of whether the purchase behavior of tourists visiting Korea differs from that of their fellow countrymen at home for Korean cosmetics.

The main purposes of this study were (1) to examine the cosmetic purchase behavior of Japanese and Chinese tourists in Korea, (2) to compare them according to their nationalities, and (3) to explore the variables affecting their purchases. Types of cosmetics purchased, shopping place, information sources, and purchase amount were examined. Perception on Korean wave, benefits sought for cosmetics in general, evaluation on and satisfaction with Korean cosmetic products were also asked and their relationships to the purchase amount. The

study included only female tourists because they are far more likely to purchase cosmetics than their male counterparts. The results provide valuable insights into cosmetics purchases by Japanese and Chinese tourists, who account for more than half of all foreign visitors to Korea, and have practical implications for those attempting to induce satisfaction among Japanese and Chinese tourist purchasing Korean cosmetics.

II. Research Background

Tourism in Korea

The number of foreign tourists visiting Korea and their expenditure have been increasing steadily. Japanese and Chinese tourists are very important to Korea's tourism industry in terms of their numbers and expenditure. Many Korean firms, including tour operators, have been developing various marketing and promotional strategies specifically designed for these tourists.

Korea Tourism Corporation (2009) reported that most Japanese tourists use the Internet to gather travel information on Korea (49.9%), followed by friends and acquaintances (42.2%), travel agencies (36.8%), and travel books (28.6%). Chinese tourists also focus on the Internet (49.8%). Seoul, the capital of Korea, is the most favored destination among Japanese tourists (66.1%), particularly Myeong-dong (75.4%), a central district of Seoul. Chinese tourists also prefer Seoul, but they prefer the Dongdaemun Market (64.0%), a major market in Seoul, to Myeong-dong (57.6%). 67% of Chinese tourists shop in airport duty-free shops; 24.6%, in Myeong-dong (24.6%); and 23.9%, in small stores (23.9%). On the other hand, 37.0% of Japanese tourists shop in airport duty-free shops; 28.5%, in Myeong-dong; and 26.2%, in small stores (Korea Tourism Corporation, 2009).

Both Japanese and Chinese tourists are likely to travel on their own (51.2% and 68.0%, respectively) than in group tours. More of both Japanese and Chinese tourists have been

returning to Korea. From 2007 to 2010, 41.5% of Japanese tourists were first-time visitors, and 32.3% visited more than three times. During the same period, 67.5% of Chinese tourists were first-time visitors, 15.3% visited twice, and 11.6% visited more than three times.

The main purposes of visit to Korea for Japanese tourists are to try Korean foods (54.3%), to shop (46.8%), and to visit historical places (21.5%), whereas those for Chinese tourists are to do sightseeing (44.9%) and shopping (42.4%). In 2008, more than 60% of both Japanese and Chinese tourists cited shopping as the main activity while visiting Korea (Korea Tourism Corporation, 2009). Shopping is more important to female tourists than to male tourists (Kim & Bahn, 1999). These findings indicate that shopping is a major activity for both Japanese and Chinese tourists visiting Korea. Timothy & Butler (1995) noted that shopping is the most preferred activity during travel in that shopping can provide physical evidence of the travel. Ahn & Roh (1999) suggested that Japanese tourists' interest in shopping during overseas trips is closely related to their cultural tradition of getting souvenirs for their family members and friends. For Japanese tourists, 70% of shopping is for souvenirs, particularly for well-known brands (Kweon, 1989)

Chinese tourists are more likely to be satisfied with shopping in Korea (4.05 on a 5-point scale) than their Japanese counterparts (Korea Tourism Corporation, 2009). Kim and Choi (2009) reported that satisfaction with shopping and fashion products has a positive effect on tourists' loyalty to the host country and the equity of the country as a brand.

Influence of the Korean wave

The Korean wave refers to the cultural phenomenon in which people in Japan, Taiwan, Hong Kong, Vietnam, and other countries in Asia—through Korean music, dramas, films, and

games—yearn for, follow, and are willing adopt Korean popular culture (Jung, 2006). The term “Korean wave” first appeared in the headlines in China in February, 2002, when H.O.T., a Korean male vocal group, swept the Chinese audience in a music festival in Shanghai, China. Subsequently, the term “Korean wave” has been used to refer to the acceptance and popularity of Korean popular culture in Asia (Jung, 2006).

The Korean wave has induced Asian consumers’ interest in Korea, including hairstyles, makeup, fashion products, plastic surgery, participation in summer camps, the Korean language, and Korean food, among many others. The Korean wave, which initially influenced mainly young individuals, those who are most likely to be influenced by the mass media and popular culture, has started spreading to those in their thirties and forties (Kim, W., 2004).

Previous studies have shown in that the perception of the Korean wave can influence the image of Korea, the understanding and acceptance of Korean culture, and the purchase of Korean products. The consumption of goods related to Korean culture, such as Korean movies and dramas, can have a positive effect on the understanding of Korea and attitudes toward Korea (Oh, Park & Jang, 2003; Rhee, 2003). Lee (2007) examined the relationship between exposure to the Korean wave and attitudes toward Korean products and found that those Chinese consumers who are familiar with the Korean wave are likely to have a positive view of Korean products and likely to purchase them. Chinese consumers who like Korean popular culture are likely to be familiar with Korean fashion brands and likely to have purchased Korean fashion products (Kim & Park, 2004). Further, Kim and Ga (2003) suggested that consumers’ interest in Korean popular songs, TV dramas, and food can influence their interest in and purchase of Korean cosmetics.

Previous research on cosmetics purchases

Purchase behavior refers to a process in which one perceives products based on one’s internal motivation (e.g., personal desires) and external motivation (influenced by social and cultural environments); searches for information on products; evaluates products; and selects products (Lim et al., 2007). Cosmetics products are applied directly to the body, and thus, the actual experience with a product tends to have considerable influence purchase behavior.

Among various factors that can influence the purchase of cosmetics products, one’s lifestyle has been the most frequently discussed (Chae, 2001; Hong & Oh, 2001; Hong, 2007). Chae (2001) reported that one’s lifestyle can have considerable influence on cosmetics purchases by female college students and suggested that it can also have considerable influence on product involvement, attitudes toward product attributes, attitudes toward store attributes, and other variables related to cosmetics purchases. In addition, one’s lifestyle can also influence the type of information source used when purchasing cosmetics products. Consumers who are conscious of fashion and seek active lifestyles are likely to make use of information sources, particularly the mass media, whereas conservative and economy-oriented consumers are likely to depend on their own or their friends’ experiences (Chae, 2001; Sun & Yoo, 2003; Hong, 2007).

Few studies have examined the relationship between demographic characteristics of customers and their cosmetics purchase behavior. Kim, Y. (2004) reported that customers’ age is related to their purchase of various cosmetics products, including skincare products, color makeup, and cosmeceuticals. Park and Kim (2006) found that shopping orientation is related to age, income, and education in the purchase of cosmetics.

In recent years, cosmetics firms have been developing products specifically designed for

highly segmented markets. The term "cosmeceuticals" is used to refer to products that combine the characteristics of both cosmetics and pharmaceuticals. Cosmeceuticals are developed for specific purposes, such as wrinkle recovery or skin whitening. Several studies have examined special segments of cosmetics products, including cosmeceuticals (Lee & Park, 2000; Park & Kim, 2005) and cosmetics made with ingredients from Oriental medicine (Suzuki, Jung & Lee, 2010).

The attributes typically considered in the purchase of cosmetics products include intrinsic attributes such as the product's quality, performance, and skin-friendliness and extrinsic attributes such as its price, brand image, and design. A number of studies have shown that skin-friendliness is the most important attribute for cosmetics products regardless of the customer's gender, age, and lifestyle and that the product's quality and price also are important attributes (Chae, 2001; Park & Kim, 2006; Hong, 2007). These findings indicate that intrinsic attributes are more important than extrinsic ones in the purchase of cosmetics in that cosmetics are applied directly to the skin and low-quality or inappropriate products may cause immediate damage.

Of the few studies focusing on cosmetics purchases by Japanese or Chinese customers, Suzuki, Jung, and Lee (2010) examined the attitude of Japanese customers purchasing Korean cosmetics with ingredients from Oriental medicine and found that consumer involvement in well-being and attitudes toward Korea can have considerable influence on attitudes toward such cosmetics. That is, the more the Japanese customers are concerned about well-being and the more positive their image of Korea, the more favorable their attitudes toward Korean cosmetics are.

Previous studies have examined the importance of country image in the purchase of cosmetics in Chinese markets. Kim (2010) demonstrated that the level of Chinese consumers' familiarity with

Korean culture is positively related to Korea's image and their attitudes toward Korean cosmetics, suggesting that the level of familiarity with Korean culture and the image of Korea as a country can influence the cosmetics purchase behavior of foreign customers. Admin (2008) reported that performance or effectiveness of cosmetics can be the most important attribute for Chinese women regardless of their age and income and that the price of cosmetics is the less important criterion for those earning a good income (Admin, 2008). Chinese women are likely to prefer cosmetics from other countries: U.S. or European brands for makeup and perfumes, Korean brands for cosmeceuticals, Japanese brands for skin cleansers, and Chinese brands for lotion (Admin, 2008). Chinese women typically obtain information on cosmetics through TV commercials (Admin, 2008). Younger women are more likely to obtain information from the mass media or friends (Pung, 2008).

In sum, the purchase of cosmetics is influenced by the customer's lifestyle and other demographic factors. Previous studies have suggested that Japanese and Chinese tourists' interest in and exposure to Korean culture may be related to their purchase of Korean cosmetics. This study considers the major variables in previous research as well as consumer satisfaction and measures customers' satisfaction with three types of cosmetics—cosmeceuticals, skincare products, and makeup—because the level of their satisfaction may vary depending on the type of cosmetics.

III. Research methods

Instruments

The perception of the Korean wave was measured by four items from Jung (2006). For internal reliability, Cronbach's alpha for these four items was 0.812. The measure was constructed on a five-point Likert scale ranging from 1 (don't know at all) to 5 (know very well).

Benefits sought in cosmetics were measured using five items modified from the measurements developed by Chun (2004) (Cronbach's alpha = 0.798). Satisfaction with Korean cosmetics was measured for three types of cosmetics—cosmeceuticals, skincare products and makeup—and overall satisfaction was also measured. Thus, the instrument measuring satisfaction with Korean cosmetics contained four items. Attitudes toward Korean cosmetics were measured with eight items developed for this study for assessing various attributes of Korean cosmetics. Five information sources that the respondents could have consulted were drawn from previous studies (Jung, 2006; Lee, 2002). All the variables, including the perception of the Korean wave, were measured on the five-point Likert scale. In addition to these variables, the purchase amount, and types of cosmetics the respondents purchased, and shopping venues were considered. Several questions about demographic characteristics of the respondents were included.

Questionnaire and data collection

The questionnaire was first developed in Korean and then translated into Japanese and Chinese by bilingual experts in each language. Then the translated versions were back-translated into Korean by another team of bilingual experts. The original questionnaire and the back-translated versions were compared and revised.

Pretests were administered to 9 Japanese and 12 Chinese tourists during the second week of September 2010. According to the results, structured questions for income and the purchase amount were necessary because the respondents often left open-ended questions unanswered for these variables. Thus, the questionnaire was revised, and there were two versions of the questionnaire for Japanese and Chinese respondents, who had different numbers of categories for income and the purchase amount.

The data were collected during October 1st to 17th, 2010, when both China and Japan observe national holidays and many Chinese and Japanese tourists visit Korea. Japanese and Chinese tourists were approached at several locations, including Myeong-dong, Incheon International Airport (the major international hub for Seoul), and seaport terminals, and asked to complete the questionnaire. The respondents received one moisturizing mask sheet for completing the questionnaire. The total of 93 and 131 responses for Japanese and Chinese tourists, respectively, were used in the final analysis.

Respondents

Table 1 profiles the respondents. In terms of their age, 36.5% of Japanese respondents were between 21 and 30; 21.5%, between 31 and 40; 26.9%, between 41 and 50; and 14.0%, 51 and over. In general, Chinese respondents were younger than their Japanese counterparts: 51.1% were between 21 and 30; 23.7%, 31 between 40; and 14.5%, between 41 and 50.

Most of the Japanese respondents visited Korea before: 43.0% visited Korea two times (including the current trip), and 38.7% visited three or more times. On the other hand, 41.9% of Chinese respondents were visiting for the first time; 30.5% visited two times; and 24.4% visited three or more times. More than half of all respondents (both Chinese and Japanese respondents) had been to Korea before, reflecting the increase in international travelers among Korea, Japan, and China. In terms of their cosmetics purchases, 54.7% of Japanese respondents purchased cosmeceuticals, and 57.9% purchased skincare products. On the other hand, most of the Chinese respondents (80.9%) purchased skincare products and many purchased cosmeceuticals (64.9%) and color makeup (49.6%). Although specialty stores and duty-free shops were the most important shopping venues for both Japanese and Chinese respondents, more Chinese respondents purchased cosmetics at department stores (22.9%) than their

Japanese counterparts (10.8%). 54.8% of Japanese tourists had monthly income under 200,000 yen (US\$2,400) and 36.6% between 200,000 to 400,000 yen (US\$2,400 – 4,800), while 46.6% of Chinese respondents had monthly income between 2,000 to 5,000 yuan (US\$304-759) and 27.5% between 5,000 to 10,000 yuan (US\$759-1,518). 29.0% of Japanese respondents spent 2,000 to 5,000 yen (US\$24-60) on purchasing cosmetics, 30.1% spent 5,000 to 10,000 yen (US\$60-120), and 34.4% spent more than 10,000 yen (US\$120). In comparison, Chinese respondents spent far more than the Japanese. 10.7% of the Chinese respondents answered that they spent under 500 yuan (US\$76) in purchasing cosmetics, 22.9% spent 500 to 1,000 yuan (US\$76-152), 25.2% spent 1,000 to 2,000 yuan (US\$152-304), and 21.4% did 2,000 to 3,000 yuan (US\$304-455). 17.6% of the Chinese respondents spent more than 3,000 yuan on cosmetic purchase. These findings suggest that Chinese tourists are more likely to purchase cosmetics than their Japanese counterparts, even though their income is likely to be lower than that of their Japanese counterparts.

IV. Results

As shown in Table 2, there were significant differences between the two groups for most of the variables. In general, Chinese respondents had higher scores than their Japanese counterparts on most of the items, indicating that Chinese respondents' perception of the Korean wave was higher than that of their Japanese counterparts and the Chinese respondents were more likely to be satisfied with and have favorable attitudes toward Korean cosmetics. Chinese respondents were more likely to search for information on Korean cosmetics and their benefits. There were no significant differences between these two groups for their evaluation on the price of cosmetics and the store atmosphere.

Noteworthy is that Japanese respondents' perception of the Korean wave was based mainly on Korean TV programs and dramas. Their

satisfaction with the three types of Korean cosmetics was relatively low (2.90 for cosmeceuticals, 2.78 for skincare products, and 2.66 for makeup), but their satisfaction with Korean cosmetics in general was slightly higher. Japanese respondents gave high evaluation on the price of Korean cosmetics, suggesting that their overall satisfaction with Korean cosmetics depended more on the price of cosmetics than on their quality or other attributes.

Chinese respondents' perception of the Korean wave was based not only on Korean TV programs and dramas but also on Korean fashion. Unlike their Japanese counterparts, Chinese respondents were very satisfied with each type of Korean cosmetics (their satisfaction with each was even higher than their satisfaction with Korean cosmetics in general). Chinese respondents' evaluation of Korean cosmetics was fairly positive (3.34 or higher for all attributes). Noteworthy is the similarity between Japanese and Chinese respondents in their evaluation of the price of cosmetics and the store atmosphere. Their similarity in terms of the price of cosmetics appears to be related to the finding that Chinese respondents spent more on cosmetics than their Japanese counterparts, despite of the relatively large gap in their monthly income. In terms of the store atmosphere, both Japanese and Chinese respondents might have been familiar with the atmosphere of cosmetics stores in Korea because a number of Korean cosmetics firms have opened stores in Japan and China.

Because there were significant differences between Japanese and Chinese respondents, the data were analyzed separately for each group. Table 3 shows the ANOVA results testing how the variables may differ according to the purchase amount of Japanese respondents. Japanese perception on Korean wave did not significantly differ according to their purchase amount suggesting that Japanese perception on Korean wave may not be an important factor for Japanese in purchasing Korean cosmetics. This result is somewhat inconsistent with the findings of Jung (2006), who suggested that the

perception of the Korean wave has a positive effect on the purchase of Korean products. This inconsistency may be explained in two ways. First, tourists' nationality may have considerable influence on the effects of the Korean wave. Second, previous studies have typically considered purchase intentions, whereas the present study focuses on the actual purchase amount.

Among the benefits sought in cosmetics, brand prestige and fashionability were the only items that differed significantly depending on the purchase amount for Japanese respondents. Brand prestige and fashionability were more important to Japanese respondents, who spent more on Korean cosmetics. This suggests that brand prestige and fashionability are most likely to influence the purchase of Korean cosmetics by Japanese tourists. There were significant differences among internet use, TV advertisements, newspapers/magazines, peer recommendations, and salespeople according to the purchase amount for Japanese respondents. The more they used information sources, the more likely they were to purchase Korean cosmetics. In particular, salespeople were very important to those spending more than 10,000 yen. This suggests that salespeople have considerable influence on big spenders. It is interesting to note that use of information sources is the variable which seems significantly related to the purchase amount of Japanese tourists, compared to other variables. Satisfaction with Korean cosmetics did not differ significantly according to the purchase amount, suggesting that the level of satisfaction with Korean cosmetics may not influence how much Japanese tourists spend on Korean cosmetics. Their evaluation of cosmetics attributes had little relationship with the purchase amount for Japanese respondents. The only attribute that differed significantly depending on the purchase amount was the store atmosphere. Those who spent more on cosmetics were more likely to place high evaluation on the store atmosphere. This suggests that cosmetics stores should pay more attention to their store atmosphere to increase purchase intentions of Japanese tourists. In sum, for Japanese respondents, the use of various information sources, brand

prestige, and fashionability were the only factors that varied significantly according to their purchase amount.

Table 4 shows the results of the chi-square test for Japanese respondents. The number of visits to Korea by Japanese respondents did not differ significantly according to the purchase amount. In other words, the amount of money they spent on Korean cosmetics on each trip to Korea was more or less the same, no matter how many times they visited Korea. Further, their age and income were not significantly related to the purchase amount.

Table 5 shows the results for Chinese respondents. Chinese respondents' perception of various aspects of the Korean wave differed significantly according to the purchase amount. Noteworthy is that those respondents who spent less than 500 yuan were significantly different from the others in their perception of the Korean wave. Their perception of the Korean wave was much lower than others' for all aspects of the Korean wave, including Korean popular music, entertainers, fashion, TV programs, and dramas. Except for this group, the purchase amount did not significantly vary according to the perception toward Korean popular music, entertainers, and fashion. These results indicate that although the perception of the Korean wave may induce Chinese tourists to purchase Korean cosmetics, it may not necessarily induce them to spend more. Among the benefits sought, brand prestige, fashionability, performance, and scarcity were significantly related to the purchase amounts. In general, those Chinese respondents who sought more benefits were more likely to purchase Korean cosmetics. In particular, those who spent between 1,000-2,000 yuan and more than 2,000 yuan were similar in terms of the benefits they sought in Korean cosmetics. This suggests that brand prestige, fashionability, and scarcity are the benefits of particular importance to big spenders.

Noteworthy is that the use of all five information sources was not significantly related to the

purchase amount for Chinese respondents, which is in contrast to the results for Japanese respondents. For Japanese respondents, the use of different information sources explained a large portion of the variance in the purchase amount. Satisfaction with skincare products and overall satisfaction with Korean cosmetics differed significantly according to the purchase amount for Chinese respondents, whereas satisfaction with cosmeceuticals and makeup did not. Those who were more likely to be satisfied with skincare products spent more on cosmetics. This may be because more than 80% of Chinese respondents purchased skincare products. This suggests that Korean cosmetics firms should focus more on skincare products to attract more Chinese tourists.

The evaluation of the price, packaging, diversity, quality, the store atmosphere, and salespeople differed significantly depending on the purchase amount for Chinese respondents, but the evaluation of sales promotions and brand prestige did not. In general, those whose evaluation of various attributes of Korean cosmetics (price, packaging, selection, quality, the store atmosphere, and salespeople) was favorable were more likely to purchase more Korean cosmetics.

Table 6 shows the results of the chi-square test for the purchase amount for Chinese respondents. The number of visits to Korea by Chinese respondents was significantly related to the purchase amount, which is inconsistent with the results for Japanese respondents. Those Chinese respondents who visited Korea more than two times were more likely to purchase cosmetics than those who were visiting for the first time. Thus, the more often Chinese tourists visit Korea, the more likely they are to purchase Korean cosmetics. Chinese respondents' age was significantly related to the purchase amount. Those Chinese respondents between 31 and 50 were more likely to purchase Korean cosmetics than those who were less than 30 or over 51. Those who were between 21 to 30 spent between 500 -2000 yuan. Their income was significantly related to the purchase amount. This

suggests that Chinese tourists earning a good income are more likely to purchase Korean cosmetics while visiting Korea.

V. Conclusions

In this study, we examined 93 Japanese and 131 Chinese tourists who purchased Korean cosmetics during their visit to Korea and various factors related to their purchase. The results indicate that these Japanese and Chinese tourists differed in almost all aspects. Chinese respondents were younger and likely to be first-time visitors, and most purchased skincare products (e.g., lotion); Japanese respondents tended to purchase cosmeceuticals as well as skincare products.

Chinese respondents gave higher scores than Japanese in most of items. Their perception of the Korean wave in terms of Korean music, entertainers, fashion, TV programs, and drama was higher than that of their Japanese counterparts. Chinese respondents placed greater emphasis on brand prestige, performance, appearance, and scarcity, as the benefits they seek in cosmetics. However, there were no significant differences between Chinese and Japanese respondents in terms of their pursuit of fashionability in their cosmetics purchase. This suggests that both Japanese and Chinese women are highly sensitive to the latest trends in cosmetics. Chinese respondents were likely to use all sources of information (entertainers, the Internet, advertisements, peers, and salespeople) more often than their Japanese counterparts; they were also more satisfied with Korean cosmetics than their Japanese counterparts. In terms of the respondents' evaluation of Korean cosmetics on packaging, diversity, performance/quality, sales promotions, salespeople, and brand prestige, Chinese respondents were more likely to evaluate them positively than their Japanese counterparts. However, there were no significant differences between them in terms of their evaluation of the price of Korean cosmetics and the store atmosphere.

In general, Chinese respondents were more likely to be enthusiastic about the Korean wave and Korean cosmetics; more likely to make active use of various information sources; more likely to evaluate Korean cosmetics positively; and more likely to be satisfied with Korean cosmetics than their Japanese counterparts. Further, the more often Chinese respondents visited Korea, the more likely they were to purchase Korean cosmetics. These results suggest that Korean cosmetics firms are better at offering products that satisfy Chinese women than their Chinese counterparts. In comparison, Japanese women are more likely to be exposed to a wider range of cosmetics, including world-renowned Japanese brands as well as most of the well-known global brands, than their Chinese counterparts. Further, the Korean wave may be more popular in China than in Japan. The popularity of Korean culture, particularly contemporary culture, may be an important determinant of cosmetics purchase of Chinese tourists. These results are consistent with the findings of Jung (2006), who showed that the Korean wave may have positive effects on the intention to purchase Korean products. This suggests that for Chinese tourists, Korean cosmetics firms should collaborate more with the entertainment industry to take advantage of positive effects that Korean music, movies, and other cultural commodities could have on their products. Currently, many Korean entertainers, movie stars, and singers model for Korean cosmetics firms. This type of collaboration should continue so that Korean cosmetics firms could take full advantage of the Korean wave to attract more foreign buyers, particularly Chinese women. The steady increase in the number of Chinese tourists visiting Korea and the fact that they spend more when they visit Korea more often bode well for Korean cosmetics firms. Thus, Korean cosmetics firms should pay closer attention to the needs of Chinese tourists.

Despite of the clear differences between Japanese and Chinese respondents, the two groups did not differ in terms of their evaluation of the price of cosmetics, the store atmosphere, and their pursuit of fashionability. In particular,

both Chinese and Japanese respondents considered the price of Korean cosmetics to be competitive, despite of the large gap in GNP per capita between the two countries. This indicates that the gap in GNP per capita between the two countries may not parallel the income gap between Japanese and Chinese tourists visiting Korea. Thus, it may not be necessary to develop different pricing strategies or lines with different prices for the two groups of tourists.

Noteworthy is that both Japanese and Chinese respondents found fashionability to be important. This suggests that Korean cosmetics firms should provide products that could satisfy the fashion needs of Japanese and Chinese tourists. Fashionability for cosmetics could be achieved by refining the color palette of makeup and expanding the range of cosmeceuticals, among others. These findings suggest that cosmetics products cannot be separated from fashion trends that is, they belong under the umbrella of fashion. The last few decades have witnessed the blurring of boundaries between products such as clothes (whose primary attribute is based on fashion) and products whose function is a major attribute determining their competitiveness. The results of this study suggest that cosmetics products now represent one of many products constituting fashion.

The differences between Japanese and Chinese respondents necessitated a separate analysis for each group. The results indicating significant differences in purchase behavior between the two groups have important implications for Korea's tourism industry and cosmetics firms. First, there is a need for an analysis of differences and similarities between the two groups in terms of their purchase of other types of products. Second, practitioners should pay as much attention to similarities (such as those found in this study) as differences.

Japanese and Chinese tourists account for more than half of all foreign tourists visiting Korea, and they are likely to purchase cosmetics during their visits. In this regard, the results of this study are

expected to be useful for developing strategies that could better meet the needs of these tourists. However, this study has some limitations. The sample size was relatively small, and the study was a cross-sectional study. Thus, future research should consider a larger sample with a wider range of backgrounds (e.g., more nationalities). Other consumer characteristics such as lifestyles may be included for a more comprehensive analysis of cosmetics purchase behavior. Finally, a longitudinal study should provide a better understanding of this research topic.

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EXPERIENTIAL CONSUMPTION OF TIME: A CASE STUDY OF CONSUMING FREE TIME IN THE CONTEXT OF ENTHUSIASM FOR HORSES

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ABSTRACT

It appears that within contemporary experience economies, time is often perceived to be an even more critical consumption resource than money. The article investigates how horse enthusiasts structure their consumption of time. To do so, the article addresses time as an object of consumption, specifically time consumed within free time, and with particular reference to horse enthusiasts. The data was generated through two sources; focus groups, whose input was supplemented by the use of pictorial collages and netnographic analysis of the blogs of horse enthusiasts. The findings reveal the prior understanding of time concepts as they emerge through balancing. In **mechanical time**, enthusiasm for horses both takes time and is given time; **natural time** was organized between time enjoyed and time endured; and **social time** featured time spent and time killed. Further, a fourth dimension arose, **engrossing time**, when the balancing was between time devoted and timeless time. These four dimensions fit into a theoretical model based on the realm of experiential time consumption. In this model, the four time dimensions could also be interlinked. When mechanical and social time intertwined, what can be termed **slow**-life comes to the fore. On the other hand, when natural time and engrossing time become connected, it is possible to have a **flow** experience. This conceptualisation provides prompts for thinking about managing and designing horse-related businesses and other free-time-related services.

Key words: Consumption of time, free time, experiential consumption, focus groups

Introduction

Contemporary consumer societies are often described as experience economies. This is rooted in a way of thinking that considers experience to be a cornerstone of the understanding of consumer behaviour (Pine and Gilmore 1998, 1999; Schmitt 1999). In Finland, where the present study is rooted, statistics show that in the beginning of the last century, expenditure on free time activity accounted for 1.8% of the total spent by the average Finn, whereas the most recent data shows the figure stands at 11% (Statistics Finland 2006). Indeed, it appears that free time is a necessary object of consumption, alongside the more traditional necessities. It is therefore not surprising that also our animal companions have been described as offering multiple ways to spend our free time, including experiential ways (Jyrinki and Leipämaa-Leskinen 2006).

Free time is an exceptional object of consumption, because when consuming free time, it not only money is consumed, but also time. However, compared to the value of money, the value of time is harder to estimate; time is not easily exchangeable, it is perishable and it is difficult to assess one's stock of it available for later use (Okada & Hoch 2004). Indeed, it sometimes appears that within contemporary

experience economies, time is an even more critical resource than money.

Indeed, time is a special interest of this era. This may be argued through two groundings. First, in the present time, saving time is important to many of us. This may be demonstrated through the various products and services that are produced for consumers just to save time — convenience food (e.g. Warde 1999) provides a classic example. Second, spending time is an important object of consumption. It could be argued that time even confers status particularly upon those who have the luxury of spending it on enjoying themselves. The concept may be seen at work in the guise of a current trend, Slow Food, which not only advocates good food and gastronomic pleasure, but encourages a slower pace of life and spending time on cooking and enjoying food (Sassatelli & Davolivo 2010). A more comprehensive reduction of the pace of life can be seen in 'downshifting'. 'Downshifter' arrange the consumption of their time to reflect their search for a non-material, meaningful existence (Cherrier 2002).

The present article addresses time as an object of consumption, specifically the consumption of time within free time, and with particular reference to that of horse enthusiasts. The article investigates how horse enthusiasts structure their consumption of time. The aim is to use the study of horse enthusiasts' consumption of time to construct a foundation on which to build a discussion on a more general level, of what entrepreneurs and managers working in a service field exploiting free time should take into consideration when designing and managing their business concepts. For this purpose, horse enthusiasm is a fruitful context as it provides a large variety of different kinds of enthusiasts. Among horse enthusiasts there are those, who emphasise entertainment, fun and just passing of time (casual leisure), and in the other end of the extreme there are goal-oriented, more serious-minded enthusiasts, who invest a huge amount of time in their avocation, which is then referred to as serious leisure (c.f. Stebbins 2001).

The theoretical section of the present article briefly discusses the various concepts of time found in prior research. The data itself was gathered in two ways; verbal input from focus groups supplemented through the use of pictorial collages and the data was then further expanded through a netnographic analysis of different horse enthusiasts' blogs. The findings relate to both prior research and the emergence of new themes, which all are further transferred into the theoretical thinking on experiential consumption. The article ends with an examination of managerial implications and recommendations for future research.

Concepts of time in prior research

Prior consumer behaviour research has recognised time and its determinants as an interesting area of consumption. Previous research has for example distinguished various classifications for the concepts of time.

Grønmo (1989) created three categories for the concepts of time. First, mechanical time refers to the time that is objectively measured, as with clocks and calendars. Mechanical time is a linear idea of time, and it is broadly standardised across nations. From this viewpoint, it can be considered that time is a numerical resource, that may be distributed similarly to money (Hirschman 1987). In this sense, 'saving time' can be understood as re-distributing time so that when selecting from alternative ways of spending time those that are rationally fastest will be preferred. Second, natural time for its part, is based on the rhythms of nature, such as the changes between day and night, and on the passing of the seasons (Grønmo 1989).

The third concept of time defined by Grønmo (1989) is called social time, which is understood as being in relation to human action and social processes. Accordingly, time can be experienced as comparable to one's own actions and to

interactions with others in the social environment and even more broadly in society and culture. Thus, the concept of social time may incorporate great variety between societies, different groups of people and also between individuals; it is a subjective concept (Grønmo 1989). Further, social time may be classified as whether the consumption of time is directed towards oneself or towards others, whether it is talked about as 'time for oneself' or 'time for/with others' (Cotte and Ratneswar 2003).

Furthermore, social relations, and especially the surrounding culture, influences how an individual experiences chronological time and the passing of time, the way that individual perceives their past, present and future (Graham 1981). It is notable that the subjective understanding of time is multidimensional; experience is linked not only to time, but also to place and actions within each of the consumption situations (Laaksonen, Huuhka and Seppälä 2005). So, how do these different concepts of time emerge when consumption of free time is inspected?

Methodology

The data set of present article comes from two sources. The first data was generated through focus groups supplemented by the use of pictorial collages. Focus groups are considered an applicable method for generating data when the research topic is something participants feel at ease talking about with other people (e.g. Macnaghten and Myers 2004: 65), and Laaksonen, Laaksonen, Borisov and Halkoaho (2006) showed that focus group input incorporating the visual and metaphorical was very instructive, as long as the topic was not too intimate.

The focus groups operated in two stages. First, participants were asked to cut and paste pictures that they saw as in some way describing the meanings horse-owners attach to their horses.

The collection of pictures that participants chose from was pre-selected by one of the authors on the basis of previous research on the meanings humans attach to their companion animals (e.g. seeing them as a friend, a family member, an extension of themselves [Beck and Katcher 1983; Hirschman 1994; Belk 1996]). The first part of the discussion loosely followed the ZMET-procedure (Zaltman Metaphor Elicitation Technique) (Zaltman 1997).

In the second stage, participants were asked to attach pictures of actual products that are used and bought for the horses and for/by themselves in the stables. The participants were provided with a pre-selected collection of pictures of horse-related products. After that the discussion focused on how different products were chosen, the advantages (and disadvantages) they brought with them and what was relevant in each product choice. This kind of focus group procedure was chosen to get the participants talking freely without having the need to address direct themes; especially the consumption of time. In this way, talk of time was truly initiated by the participants.

There were two focus groups. The first focus group consisted of horse enthusiasts and the other of people with close friends or relatives that were horse enthusiasts. It was expected that people close to horse enthusiasts would reveal something of the time consumption of the target group that they themselves would not. There were between 5 and 7 participants in each group. When choosing the participants, the target was to attain a 'theoretical sample' (Macnaghten and Myers 2004: 68), in other words, considering the research topic, the participants should be heterogeneous. Thus, the groups of participants selected varied in terms of their enthusiasm for horses (i.e. there were both trotter enthusiasts and riders, and enthusiasts with different levels of experience of horses). However, they had similar socio-demographic backgrounds – they were all university students, generally aged between 20–28 (although one was 42 years old), with a mix of male and female. The discussions were recorded. Focus group sessions lasted 1.5

— 2 hours. Discussions were transcribed and the transcripts were transferred to the NVivo computer program.

The second source of data consisted of blogs of horse enthusiasts. So, the study employed netnography, which is has been defined as 'a qualitative, interpretive research methodology that adapts the traditional, in-person ethnographic research techniques of anthropology to the study of the online cultures and communities formed through computer-mediated communications' (Jupp 2006). Netnography offers an unobtrusive way to collect data alongside focus groups (c.f. Kozinets 2006).

The blogs of horse enthusiasts were selected on two grounds; the first related to the characteristics of the enthusiasts' and the second to the characteristics of the blogs'. First, it was important that the horse enthusiast had some kind of goals or interest in developing his/her skills in the avocation. Second, comparison of the depth and density of writing was instrumental in order to obtain detailed descriptions of horse enthusiasts' feelings and experiences of riding/training. It was also a requirement that the blogs were actively maintained. Many blogs were reviewed, but finally seven were included in the analysis. Considering the ethical issues in netnography (c.f. Kozinets 2006), all the blog writers were asked for their permission to use their writing. Further, only those blog entries that were written prior to the researchers contacting the writers were included in the dataset. The findings of whole data set are discussed below.

The concepts of time structured by horse enthusiasm

The data analysis revealed that the different concepts of time were widely addressed. Interestingly, when participants talked or wrote about time, they implied several meanings, some of which were quite contradictory. Indeed, the

concepts of time emerged through balancing which added both a depth and diversity to prior understandings of the concepts. These findings are explained in the following sections.

Mechanical time: takes time – gives time

Among all the talk/writing about time, the most common idea was that how much horse enthusiasm takes time. Mechanical time, that measured by clocks and calendars, appeared to be one of the things taken-for-granted in enthusiasm for horses.

'There is this thing that takes an enormous amount of time. Now, just last Saturday we went to the stables at noon and returned at six p.m. And we were supposed to be there just for a little while, not the whole day... (Participant in a focus group of horse enthusiasts)'

On the other hand, time was also expressed as being given to horses and to the avocation. Giving time and sometimes even sacrificing time were ways to show attachment to horses; because enthusiasts love horses, they want to give time for them.

'Those teddy bears mirror how they are like my bears, the horses I mean. [They are] very important, and to them, so much time is sacrificed. (Participant in a focus group of horse enthusiasts)'

Mechanical time appeared to get structured through action and **doing**; clocks were used to measure how long it takes time for the enthusiasts to do various tasks in the stables. Also, giving time was tied through doings, for example by taking care of horses, to attachment.

Natural time: time enjoyed – time endured

Natural time was addressed often: the horse enthusiasts talked about the changes of seasons and changes of day and night. Here, they brought out how differently nature and scenery are experienced during those different times. Indeed, it appeared that and the environment and the seasons offered horse enthusiasts a way to enjoy different natural times. Sometimes, natural time also included 'soft values' that are possible only with a horse in different natural time periods.

'The picture of sailing is here because I think that riding in beautiful scenery, where all is quiet, is like sailing in the middle of the sea. It has the same peace. (Participant in a focus group of horse enthusiasts)'

The changes of natural time offered, not only ways to enjoy nature, but also challenges to endure. The horse enthusiasts talked for example of the flies in summer and the coldness of winter.

'That winter picture reminds me of my childhood memories. We were travelling with a sleigh, my dad and me, and dad asked me if I was cold. I never was, even though my feet and hands were so frozen that I couldn't bend them. I couldn't tell, because we would have gone home if I had.(Participant in a focus group of horse enthusiasts)'

It appears that natural time is structured through **sensing**. The times and seasons created by nature were sensed as beautiful and peaceful or the challenges created by different natural times were sensed very tangibly as described colourfully above.

Social time: time spent– time killed

Social time was first and foremost about spending time with others alike; communality was tightly tied to the times in the stables. Horse enthusiasm quite obviously connects to peers; with whom a lot of time is spent.

'This picture describes my friends in the stables; that in there, I have had certain friends and I still have few who I have been friends with since I started to go to the stables as a child. So, the friendship has lasted ever since. (Participant in a focus group of horse enthusiasts)'

Sometimes, it was the horse, with which the time was spent. Here, the horse was compared to a companion.

'There's no need to take pain-killers, when one just goes outside and enjoys Nature – just being there together with the horse. And sometimes I walk with the horse, so I get my exercise too. So, this picture describes exactly walking and exercise, beautiful scenery and being mellow together. (Participant in a focus group of horse enthusiasts)'

In the stables, the horse enthusiast could also kill time; just hang around without doing anything special.

'Nowadays, the most important thing for me is that I can just be with the horses. Unlike before, years ago, when the most important thing was that I can ride and gallop and do different things. (Participant in a focus group of horse enthusiasts)'

Social time seems to be structured along **being** in a time. This way, the central element in the avocation emerges as just being in the stables at any specific time. Sometimes, the content of 'being' becomes spending time and sometimes time is killed in stables.

Engrossing time: time devoted – timeless time

In addition to those concepts of time that earlier research found, the present data revealed a fourth time dimension. In this dimension, engrossing time, there was an emphasis on how much time was devoted to horse enthusiasm, for example riders wrote in their blogs over and over again detailed descriptions about how they devoted time, for example to developing their skills.

'I have clearly improved my seating. From time to time, one experiences moments when one feels that this is never going to work out. Then it helps, when one looks back and thinks back a little: to the first time when I rode [horse name], I couldn't even sit on in the working trot [...], and today, I can sit on for whole rounds, not well, but at least I don't need to be afraid of falling off. (A blogger)'

On the other hand, time in the stables and in riding/training horses sometimes appeared to sweep the enthusiast along, time became timeless. These were times when time lost its meaning.

'I can tell you that the feeling is amazing when, after a failure, and tension caused by that failure,

one is able to take a grip on oneself, and one succeeds! I had tears of joy in my eyes! (A blogger)'

Being swept along by time, came up especially when enthusiasts experienced successful moments; that is the reason for labelling the dimension **engrossing** time.

Horse enthusiasm as experiential time consumption

Maybe the best known framework for experiential consumption is drawn up by Pine and Gilmore (1998, 1999). In this framework, the horizontal axis illustrates the consumer's role, where one end represents the active, and the other the passive, participant. On the vertical axis, Pine and Gilmore (1998, 1999) placed connection/relation to the environment, which can be either absorption or immersion. Absorption means for example enjoying a theatre show from the audience, whereas immersion refers to acting in the show. Contrasting with prior literature, the present study employs its framework not to distinguish between different experiences provided by various avocations, but to analyse what kind of experiential phenomena can be found through the time consumption within one avocation. This is sketched in Figure 1.

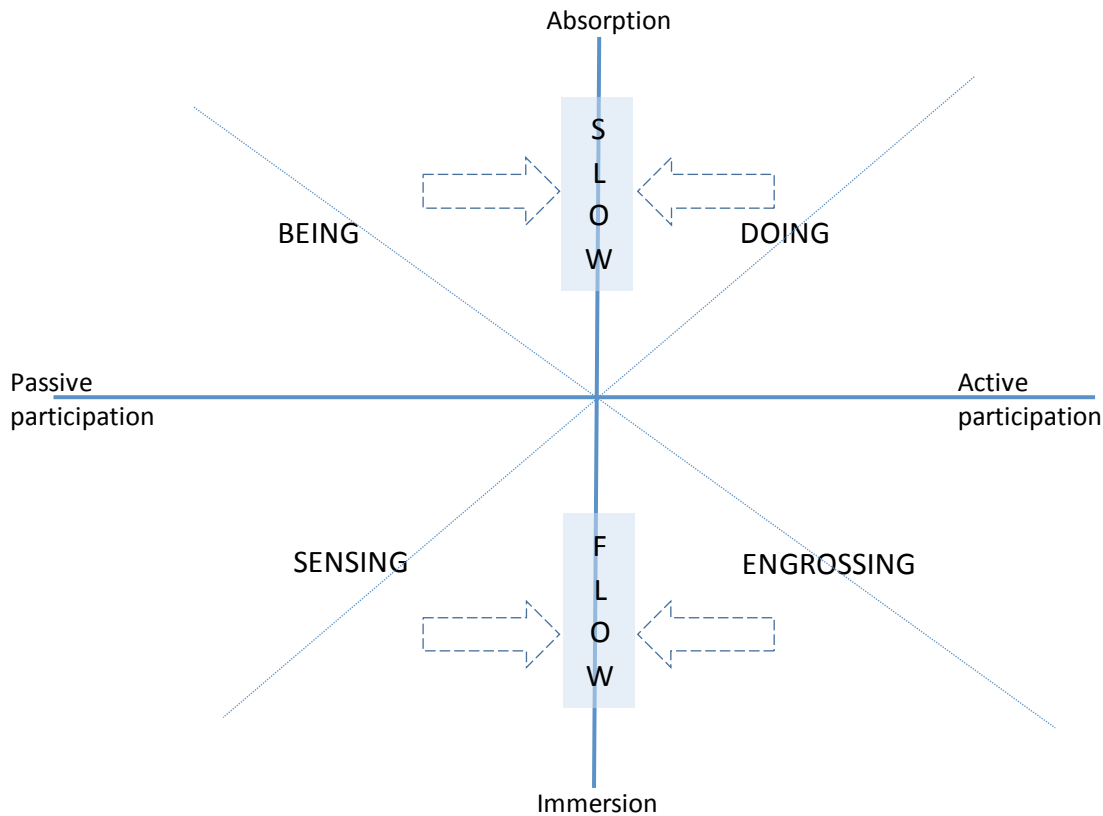


Figure 1. The experiential time consumption of horse enthusiasts.

The findings show the time consumption of horse enthusiasts emerging through balancing. Compared to the prior understandings on the concepts of time, this adds deeper and more variable meanings to these concepts. Further, the balancing inclination of time consumption connects to the idea of the contradictory consumer, who seeks for 'both ands' instead of 'either or' solutions in their consumption (c.f. Leipämaa-Leskinen 2007). This kind contemporary, postmodern, consumer – sometimes described as unmanageable (Gabriel and Lange 1995) – fits with the ideas of experience societies which aim to create ever more imaginative products and services to attract customers (c.f. Pine and Gilmore 1998). In Figure 1, each field of the fourfold table is divided in two. This is done in order to describe this dichotomised balancing of time consumption within enthusiasm for horses.

First, mechanical time was dichotomised, and so it can be seen that avocation both takes time and is given time. Mechanical time was structured through **doing**. Doing was active participation, however without immersion. These kinds of doings were for example stable duties, in which the enthusiast actively participates, but they hardly sweep the enthusiast along. A focus group participant describes stable duties as rather wretched, connecting them also to the mechanical, clock measured time: 'I have worked at stables, so it means that you have to wake up at six o'clock to go and muck out.'

Second, social time was structured through **being** in a time. The balancing within being was between spending time and killing time, which are both far more passive ways to participate

than, for example, doing in mechanical time. The content of being was absorption, in social time, enthusiasts 'just are'. Talk here was of cosy memories or moments passing-by, with peers or just with horses, as experienced by enthusiasts in the stables.

'The last couple of days have been very busy at work, so yesterday's riding lesson cooled down my mind wonderfully. I was just wondering that nowadays when I don't have as much time for riding as before, I enjoy it even more. Yesterday I was alone at the stable after the lesson, I gave carrots to horses, I gave [horse name] a massage and I was just listening to the nickering that is typical to all horses, and finally shut down the lights. After closing the stable's door, I faced this beautiful scenery and peace. I just can't describe it. (A blogger)'

It is possible that these two concepts of time get intertwined, then it appears that through doing, being becomes noticeable. Enthusiasts are in the time, doing meaningful things. This relates to the contemporary idea of **slow-life**, in which 'downshiffters' aim to remove consumption-oriented materialism from their busy lives and concentrate their time consumption on doing things that are meaningful for them (Cherrier 2002). In this way, being and doing merge to become significant.

Third, natural time, as a kind of counterpart to mechanical time, was structured through **sensing**. Changes of natural times offer the enthusiasts the opportunity to enjoy, or the challenge of enduring somewhat passively the experiences that are brought by their enthusiasm for horses. These various experiences may sweep the horse enthusiast along, one can become fully immersed, experiencing the overpowering feeling of freedom: 'Here are the pictures of riding in the countryside; [which reflect] a kind of freedom, that one can do whatever one likes and just enjoy. (Participant in a focus group of horse enthusiasts)'

Fourth, the data revealed **engrossing** time, which was tied to active participation and immersion. The balancing arose in that to be engrossed requires the enthusiast to devote time to develop themselves and their skills, an active immersion; and on the other hand, through learning and being engrossed, it is possible to experience rewarding feelings of timeless time: 'But when we were trotting, [horse name] rewarded it all. He just clicked into the round frame and worked with his back [...] These moments repaid the hard work and even partly the moaning during the whole one hour lesson', wrote a blogger.

Through sensing and engrossing, immersion, very intensive **flow** experiences, that just sweep the enthusiast along, were integral to this avocation. In such moments, time tends to lose its meaning, as the sense of time vanishes when one becomes immersed in the time. During these kind of flow moments people are said to be at their happiest (Csikszentmihalyi 1990). Csikszentmihalyi (1990) argues that an optimal flow experience requires a person to be interested, concentrated and goal-oriented, when delving into that activity, and is also shutting everything else out of his or her mind. Indeed, in these kinds of experiences, the desire to learn and develop is tied to working.

Conclusions and managerial considerations

The present article discussed how the consumption of time was structured within the context of free time and with particular reference to horse enthusiasts. The findings reveal the prior understanding of time concepts as they emerge through balancing. The previous findings about mechanical, natural and social time included meanings were dichotomised. Further, a fourth time dimension was revealed, engrossing time, which also had balancing contents, between time devoted and timeless time. These four dimensions fit into a theoretical model of experiential time consumption. Mechanical time was connected to doing, social time to being, natural time to sensing and the engrossing time

was placed into the fourth dimension of experiential time consumption.

The present findings also suggested that the four time dimensions were interlinked. When mechanical and social time intertwined, **slow**-life became highlighted. Here, enjoying life is possible during the times when being within a moment becomes important through doing meaningful actions. On the other hand, when natural time and engrossing time are connected, it is possible to have a **flow** experience. When horse enthusiasts immerse themselves into sensing and/or engrossing, the flow experience may sweep them along.

This conceptualisation provides many cues about designing and managing horse and other free-time-related service businesses. In particular, the present findings would suggest designing a free-time-related service business so that it supports the emergence of slow and/or flow experiences. In the light of these findings it is suggested that experience of time consumption requires the customer to participate actively, slow and flow-experiences are tied to the horse enthusiast's doing or being engrossed. This discussion relates to the thinking in the field of service marketing, where the role of the service providers and customers in value creation has been debated (e.g. Vargo and Lusch 2004, 2008; Ravald and Grönroos 1996). Indeed, we may say the service provider sets the stage for the experiences to occur on, but the customers themselves are the actors on the stage. This is an example of the service provider assisting customers in their value creation; the value is co-created, not ready produced for customers (Vargo and Lusch 2008).

Future research might explore whether there are similar time consumption experiences in other contexts too. What experiential concepts of time may be discovered within other free time avocations, for instance? How do these concepts of time interlink? The present findings would lead one to think that regardless of whether the experience is of a mellow slow or an intensive

flow, it appears that time is the most meaningful when it loses its meaning. Might it be the case that in different free time avocations, time is most significant when customers do not notice that they are consuming it?

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VOLUNTEERING AS THE WAY FOR PRODUCTIVITY AND EMPLOYABILITY IMPROVEMENT

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ABSTRACT

This paper presents the results of a research that investigated the extent in which volunteering is present in the population of unemployed in Croatia (in Split-Dalmatia county), and in which way volunteering can be a useful way and measure for their faster and more productive (re)employment. Attitudes and perceptions of unemployed volunteers have been compared with those from non-volunteers, as well as unemployment records of those two populations. Finally, the potential of volunteering as a tool for faster and more productive employment of unemployed has been assessed.

Strong evidence that volunteering helps to faster and more productive employment of unemployed has been found. Research showed that population of unemployed is very good target group to promote volunteering as the way to acquire new knowledge and skills. Unemployed see volunteering, among other, as a good vehicle to improve their employability and entry into the 'world of work'. Promotion of volunteering among unemployed should be seen as the activity that contributes not only to develop volunteering and increase individual and social benefits from volunteering itself, but as activity and tool to reduce unemployment, shorten unemployment duration for individuals, and increase productive utilisation of human capital.

Key words: volunteering, unemployment, employability, volunteers

1. Introduction

Problems of employment and unemployment are today present and significant in practically every country in the world. No matter how developed country is, key objective for every economy is to develop and employ its human resources as better as possible. Human resources that are not productively used (what in a modern economy corresponds to the status of unemployed) not only do not create new value for themselves and society, but constantly lose their value. Consequently, one of the most important questions for every national economy is how to reduce the number of unemployed, shorten the duration of unemployment, and to find the way(s) to enable those who are unemployed to acquire new knowledge and skills that will help them to find employment. One specific approach to acquire new knowledge and skills useful for employment, which is quite little used and studied, not only in Croatia but generally, is volunteering.

Scarce studies carried out in some developed countries showed that in most cases volunteering provided significant training and much easier way to employment (Salamon et al. 2007). One study established that in the US more than 50% adults did some kind of volunteering, amounting to an equivalent of 5,000,000 full time workplaces,

while in Europe on average 32% of adult population was volunteering, performing work equivalent to 4,500,000 full time workplaces (Anheier and Salamon, 1999).

In Croatia there is virtually no official and systematic data about any aspect of volunteering. It is impossible to find any data base or research that would give a comprehensive overview of volunteering, its scope and its characteristics. On the other hand, 'civil sector' as an area that is dominantly based on volunteer work, is gaining momentum in Croatia, adding to a strong increase of need and opportunity for volunteering.

This paper is based on results of an original research that tried to explore to what extent volunteering is present in the population of unemployed in Croatia, and to asses in which way volunteering could be useful and used as the tool to enhance employability and foster employment.

2. Classification of volunteering

Volunteering can include very broad range of activities in very different areas like politics, ecology, philanthropy, arts, religion, sport and recreation, ... Characteristics, nature, extent and dominant forms in a particular country can be connected with or influenced by social and political characteristics, as well as economic development of the country.

Academic literature on volunteering has created two parallel 'streams'

1. One branch focuses its researches on 'third sector' organisations in developed countries – 'North', often referred to as 'non-profit' organizations, while
2. Second branch focuses on such organizations in developing countries – 'South', often referred to as 'non-government' organisations (NGO).

Literature oriented to 'South' studies development and growing role of non-

government organisations in development process, suggesting that those organisations have large potential to become key actor of the society development – equal partner to government and local administration.

On the other side, researches focused on 'North' study mainly organisations themselves, their internal structures and processes (Salamon and Anheier, 1992), and focus on the role of those organisations in providing social services and care (Billis, 1993).

Robinson and White in their study (Robinson and White, 1997) argue that volunteering organisations can be classified in two main groups:

1. Expressive groups – which do not perform any function of public services, but mostly operate to satisfy interests of their direct members. Such groups include sport and recreational association, social clubs, and scientific associations.
2. Groups with social interests – which aim to establish some state or changes in certain segment of society. Those groups include, for example, groups for pressure on administration (government or local administration) or groups created to provide some kind of public service.

It should be noted that expressive groups, although they primarily serve direct satisfaction of interests of their members, can (intentionally or unintentionally) have also some social functions in the way that their activities help establishing social infrastructure and improve social integration.

Looking from the economic point of view, volunteering and volunteer organizations could be categorized depending of the kind of utility they provide. Distinction should be made between volunteering that provides utilities (benefits) for the society or a segment of society, and volunteering that provides (primarily) utility for volunteer himself. While it is quite difficult to clearly identify activities that do not have any (at least intrinsic) personal benefits for the volunteer, much easier is to identify those activities that do

not have or have very little benefits for the society.

Within volunteering activities with significant social benefits, clear distinction should be made between activities connected with (humanitarian or other) donations – where only transfer of existing economic values occurs, and activities which provide services that create new (economic) value.

Volunteering activities with primarily personal benefits include 'pressure groups' that advocate some problems/solutions of interest for the society, and 'inclusion groups' created to gather members with same individual interests (religious, professional, sport, hobbies, etc.). Such groups obviously do not provide direct creation or transfer of economic values, but some of their activities can have indirect economic effects of larger or narrower significance.

For this paper, especially interesting are those kinds and aspects of volunteering that can be viewed as creation or enhancement of human capital. Individuals can see volunteering as the instrument to preserve or increase their chances on the labour market, including increase of the level of future incomes (Menchik and Weisbrod, 1987). It is especially so if their human capital deteriorating because of longer absences from the work (longer unemployment periods, longer illnesses, family leaves ...). In such situations, volunteering enables them to acquire new or maintain existing knowledge and skills important for employment and successful work. Women that have been out of the work because of birth(s) and children raising, can use volunteering as (re)entry strategy to the labour market. Some persons can volunteer because services for community are prerequisite for a job or position in private or public company.

Some people view volunteering as an investment in their social networking. They develop, through volunteering, different social contacts that can be very useful for their future personal needs, but also business contacts or employment.

A further strong and frequent reason for volunteering is to obtain respect in society.

People may volunteer with the goal to enhance their social status – usually within some specific referent group.

Finally, it can be said that for most people motivation for volunteering consist of combinations of different abovementioned reasons. Different studies have not been able to set apart any from these reasons as 'most rewarding'.

Potential of (different kinds) of volunteering to add to faster and more productive employment of unemployed is of special interest for this paper. That can certainly bring significant additional (extrinsic) benefits for the volunteer, and create economic benefits at different levels: from individual (improvement of the economic position of the individual) to national (bigger employment/lower unemployment, higher productivity, better use of human capital ...).

3. Potentials of volunteering as preparation for employment

Volunteering can be very useful tool of acquiring knowledge and skills necessary for faster and more productive inclusion of unemployed people into the 'world of work'. It can also be very useful for prospective employers, as a tool for 'screening' of future employees, and finally good vehicle to match (potential) employees with enterprises. Moreover, volunteering can, through acquiring and development of social skills, general working habits and attitudes, professional and social contacts, etc, highly improve abilities of new workers to faster and better integrate into new organization. Obviously, volunteering can be viewed as investment in human capital (Day and Devlin, 1998), both at individual and national level, good strategy for faster and more efficient transition from the 'word of education' to the 'world of work' (Phillips and Phillips, 2000), and a vehicle to problem of unemployment among young people (Bejaković, 2003).

An other connection of volunteering and employment can be found with people that have made significant breaks in their work – unemployed people coming to that status after having already worked for some time. Most of them do want to go back to the 'world of work', but for different reasons they stay unemployed for some time. One of those reasons can certainly be inadequacy of their knowledge and skills for jobs that are offered. But, no matter of what are the reasons for their unemployment status, longer they stay unemployed, more outdated and insufficient their knowledge and skills are becoming. They need change, updating and upgrading of their knowledge and skills to find the way back to the 'world of work'. Again, volunteering can be here a useful tool not only to update and upgrade knowledge and skills, but also to enlarge contacts and acquire information about job opportunities. Sometimes volunteering can represent direct preparation for new job – a step to employment.

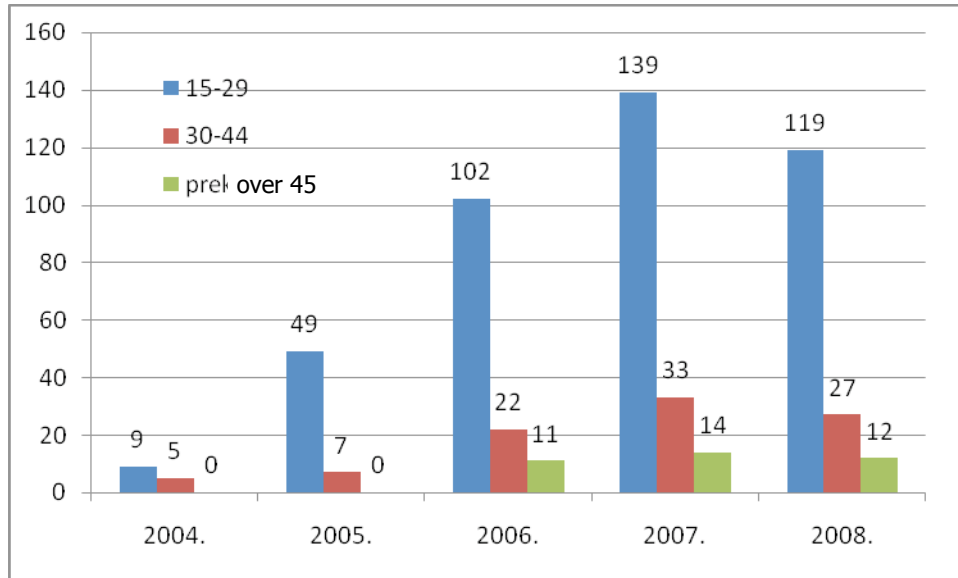
Finally, volunteering can be useful to people that are changing (or want to change) area/field of work – they also need to learn new knowledge and acquire new skills to be able to promote themselves in the labour market. To do that from their current job is not a very viable option. So again volunteering can be a good way to acquire new knowledge and skills, to enlarge contacts and acquire information about job opportunities.

4. Empiric research – volunteering and (un)employment

The base for this research was the evidence of unemployed persons from the Croatian Employment Service in the county Split-Dalmatian (Hrvatski zavod za zapošljavanje – hereafter HZZ-SD). This evidence comprises all persons that have official status of unemployed, and follows all changes in that status, including different activities that unemployed person or the Agency makes to end that status (to get employment) or to improve possibilities and qualifications for employment.

One of elements that are registered in the HZZ-SD evidence on unemployed persons was the involvement of the unemployed person in the volunteering activities prior and during her/his status of unemployed. The number of unemployed persons first time registered with the HZZ-SD that had some volunteering experience has been growing significantly from 2004 (when such information were collected for the first time). Still, that number is relatively small, reaching less than 5% of total unemployed registered. Graph 1 shows the age distribution of unemployed with volunteering experience. Taking into account that total number of unemployed registered with the HZZ-SD was almost equally distributed into these three age groups, it is notable that unemployed with volunteering experience belonged dominantly to young, under 30 years old. The share of women in that number is dominant, but slowly decreasing from 92.9% in 2004 to 68.4% in 2008. That is quite consistent with the common fact that volunteering is more present among younger population and women.

Graph 1: Number and age structure of unemployed persons first time registered with the HZZ-SD that had some volunteering experience



Source: HZZ-SD data

Unemployed persons with some volunteering experience registered with the HZZ-SD found employment faster than those without any volunteering experience. As it can be seen from the Table 1, 22 out of 23 (95%) persons with volunteering experience that found the job

through the HZZ-SD in 2005 did so after being less than 6 months registered as unemployed. In the following years that share of unemployed volunteers that found (new) job after a short period of unemployment decreased, but it remained well over 60%.

Table 1. Unemployment duration of unemployed persons with volunteering experience

	0 - 6 months	%	6 - 12 months	%	1 - 3 years	%	3 years and more	%	Total
2005.	22	95,7%	1	4,3%		0,0%		0,0%	23
2006.	33	60,0%	20	36,4%	2	3,6%		0,0%	55
2007.	53	60,9%	25	28,7%	9	10,3%		0,0%	87
2008.	62	66,7%	25	26,9%	5	5,4%	1	1,1%	93

Source: HZZ data and research results

The duration of unemployment in the total population is significantly longer (Table 2). That is especially notable in the categories with longer unemployment duration (long lasting unemployment is a big problem in Croatia). While in total population more than 20% of unemployed

find a job only after 1 – 3 years, such is the case only with up to 10% of those with volunteering experience. And the difference is especially significant in the group that looked for employment for more than three years.

Table 2. Unemployment duration of all unemployed persons employed through HZZ

	0 - 6 months	6 - 12 months	1 - 3 years	3 years and more	Total
2005.	8848	3811	3880	1270	16539
	53.5%	23.0%	23.5%	7.7%	100%
2006.	9916	3735	4040	1232	17691
	56.1%	21.1%	22.8%	7.0%	100%
2007.	10413	4091	3775	1235	18279
	57.0%	22.4%	20.7%	6.8%	100%
2008.	9701	3404	3153	953	16258
	59.7%	20.9%	19.4%	5.9%	100%

Source: HZZ data

Especially interesting is the indication that long-lasting unemployment is virtually non present among volunteers. Connecting that with the fact that among unemployed with volunteering experience 2/3 are women, and the fact that long-lasting unemployment in Croatia affects particularly women, volunteering appears to be quite efficient advantage in faster employment of unemployed persons.

4.1. Research design and characteristics of unemployed volunteers

Research about volunteering among unemployed persons was carried out on a sample of unemployed persons registered with the Croatian Employment Service in the Split-Dalmatia county. Every third person coming to an interview (during summer 2008.) with the employment counsellor was asked to fill a questionnaire developed for this research. The questionnaire was administered to 580 individuals, but only 550 returned correctly filled, 'valid' questionnaires. Basic structural characteristics of the sample are given in the Table 3.

Table 3. Sample characteristics

Unemployment duration	0-6 months					6-12 months					over 1 year					Σ
	Age	15-24	25-34	35-44	45-54	55 -	15-24	25-34	35-44	45-54	55 -	15-24	25-34	35-44	45-54	
Men	18	19	12	10	3	15	12	8	7	3	10	20	22	30	23	213
Women	22	32	22	13	3	19	23	17	11	2	14	44	63	67	15	366
Σ	40	51	34	23	6	34	35	25	18	5	24	64	85	97	38	580

Source: research results

Total population of unemployed persons in the in Split-Dalmatia county in 2008 consisted of 37.088 people, so the sample covered 1.6% of total population, so this number can be judged sufficient and representative for this research. Representatives of the sample related to total population was confirmed by the characteristic of gender distribution within particular age groups ($\chi^2=4.103$, $p>0.05$).

About 42% of respondents was unemployed for more than one year (compared with 54% in the total population of unemployed in Split-Dalmatia county in 2008; difference not significant at the level of $p>0.05$). Considering their age, most of respondents were in the groupa between 25 and 34 years (32%), and under 24 years (30%) – the age when the potential for learning and accumulation of knowledge and skills is biggest. Majority of respondents completed high school education (35% with 4-year and 31% 3-year high school), 14% had 2-year university education, and 7% 4-year (or longer) university education. This characteristic also indicates, coupled with the age structure, potential but also need for additional learning in the surveyed population.

It could be said that all important characteristics of the surveyed population of unemployed showed large potential for use of volunteering as the vehicle for acquisition of knowledge and skills needed for faster exit from unemployment. Population of unemployed persons in Split-Dalmatia county:

a) needs new knowledge and skills (large share of long-term unemployed; dominant group of those with high-school level or lower),

b) is in the age (62% of them younger than 35) when acquisition of knowledge and skills is easy and efficient,

c) dominantly consists of groups that are intrinsically more attracted to volunteering (65% of women; 62% young).

Only 12% of unemployed surveyed did have at least some experience of volunteering. Majority of unemployed with volunteering experience (41%) did their volunteering in some state institution, 23% in organizations of civil sector, 13% in public organizations for health and social services, 10% in organizations from the area of sport and culture, 1% in local administration, and 12% 'elsewhere', which included private sector.

Going to reasons for volunteering, 56% of respondents with volunteering experience engaged in volunteering for 'utilitaristic' reasons – apprenticeship (42%), replacement for (obligatory) military service (10%), and acquirement of prerequisites for regular employment (5%). Hence, at least 56% of volunteers were motivated (at least partly) by extrinsic factors, while only smaller part did so primarily for intrinsic reasons (helping others (20%) and spending free time (20%).

Consistently with the reasons for volunteering, where 'utilitaristic volunteering', usually with very clear, externally set duration (usually 1 year) was dominant, average period that respondent spent on volunteering was 14 months. This is confirming that majority of unemployed with volunteering experience did so primarily to gain very clear and one-time benefits – which confirms conclusion about volunteering seen as investment that pays out directly. Nevertheless,

when asked would they be ready to volunteer again, only 6% of those with volunteering experience responded negatively.

4.2. Perceptions and attitudes towards volunteering among (unemployed) volunteers and non-volunteers

Perceptions and attitudes towards volunteering as possible way to (regular) employment were investigated through several questions. Generally, it was obvious that level of knowledge about volunteering among unemployed was very low. Besides the fact that 88% of respondents had not ever volunteered, when asked if they knew any non-profit organisation, more than 2/3 (68%) of respondents answered negatively.

Regardless of gender, educational level, age or duration of unemployment, respondent showed very positive picture of volunteering, generally, and within virtually all subgroups. Distributions in most cases were very asymmetric, with very few extremely negative values. From a wider range of questions/statements that participants were asked, only several, most interesting and directly referring to relationship between volunteering and (un)employment will be analysed here.

Asked for opinion about "**volunteering as a good way to acquire work experience**", volunteers responded with the average grade of 3.86 ± 0.16 (on a scale from 1 to 5; 5 meaning 'excellent'), while non-volunteers were slightly more critical with average grade of 3.84 ± 0.05 . Statistically significant difference in grade distribution between two groups was confirmed (χ^2 -test=14.203, $P=0.007$).

Women responded to the above question with stronger agreement, giving higher average grade (4.00 ± 0.06) than men (3.55 ± 0.09). Distribution of grades among men and women proved to be statistically different (χ^2 -test=22.158, $P<0.001$). Such results are consistent with findings from literature, about significantly more positive attitudes towards volunteering among women.

Statistically significant difference in distribution of grades has been found also when respondents were categorized according to education level, age and work experience. Respondents with low education level (elementary school) gave to this question average grade of 3.33 ± 0.15 ; respondents with high school 3.84 ± 0.06 , and respondents with university education had an average grade of 4.17 ± 0.09 . It could be concluded that higher educated people find bigger interest in such form of acquisition of new knowledge and skills because it brings higher value and higher return to their entire human capital.

Average grades calculated by age groups were constantly decreasing: more mature respondents were less enthusiastic about volunteering as the tool to acquire work experience. Generally, it is understandable that older persons already have some experience and might feel that contribution that volunteering can give to their work experience is not as valuable as for young people at the beginning of their work. Also, it is possible that volunteering gives such kind and level of skills and experiences needed in earlier stages of career development, so that it is not so useful for older persons.

Similar reasoning is found by grouping respondents by their work experience. Average grade given by respondents with working experience under 1 year was 4.01 ± 0.07 ; average grade in the group of respondents with the work experience between 1 and 10 years 3.81 ± 0.08 , while respondents with more than 10 years of work experiences gave an average grade of 3.63 ± 0.11 .

Similar question "**Volunteering is a good way of acquiring new knowledge and skills**" resulted, as expected, with similar results, only with something stronger agreement, i.e. average grades. The kind of work that is done through volunteering (usually in non-profit organisations) does not correspond exactly to work done under standard employment arrangements in for-profit organisations. Therefore, work experience acquired through volunteering is not directly transferable to regular work.

Statistically significant differences in distribution of grades were found with gender ($\chi^2=15.676$, $P=0.003$), education level ($\chi^2=17.836$, $P=0.022$), and duration of unemployment status ($\chi^2=21.325$, $P=0.006$). Average level of agreement (on the scale from 1 to 5) with this statement among unemployed with volunteering experience was 4.19 ± 0.14 , and among non-volunteers 4.24 ± 0.04 . Other aspect showed similar tendencies with other positive statements about volunteering: a) stronger agreement among women (4.02 ± 0.08 men, 4.35 ± 0.05 women); b) stronger agreement of those with higher education level (3.92 ± 0.13 ; 4.23 ± 0.05 ; 4.46 ± 0.08 among people with elementary school, high school and university education respectively); c) stronger agreement among younger (4.36 ± 0.07 ; 4.24 ± 0.07 ; 4.13 ± 0.07 in categories: <24 , $24-34$, >34 years old respectively); d) decreasing agreement with longer work experience (4.28 ± 0.07 ; 4.27 ± 0.06 ; 4.10 ± 0.10 for groups with work experience of: <1 years, $1-10$ years, an > 10 years of working experience respectively); and e) stronger

agreement of those with shorter unemployment duration (4.35 ± 0.07 among those under 1 year, and 4.29 ± 0.10 among those with more than one year of continuous unemployment).

Next question was about "**volunteering as the way to 'gradual' entrance to regular employment**". Average levels of agreement with this statement were something lower than with previous statements. Average level of agreement with this statement was 3.22 ± 0.15 for those with volunteering experience and 3.37 ± 0.05 for respondents without volunteering experience. Detailed results, as well as comparison with responses on the statement V17 "**volunteering as a good way to acquire work experience**" are given in the Table 4. Significance tests performed in this case did not show significant difference among particular categories by analysed variables.

Table 4. Average grades of statements V17 – "**volunteering as a good way to acquire work experience**" and V19 – "**volunteering as the way to 'gradual' entrance to regular employment**" – for different categories of respondents

Factor	Category	V17	V19	Difference
Volunteering experience	Volunteer	3.86	3.22	0.64
	Non-volunteer	3.84	3.37	0.47
Gender	Male	3.55	3.20	0.35
	Female	4.00	3.43	0.57
Education level	Elementary school	3.33	3.22	0.11
	High school	3.84	3.30	0.54
	University education	4.17	3.60	0.57
Age	<24	4.04	3.44	0.60
	24-34	3.85	3.40	0.45
	>34	3.69	3.24	0.45
Work experience	Less than 1 year	4.01	3.32	0.69

Factor	Category	V17	V19	Difference
	1-10 years	3.81	3.42	0.39
	>10 years	3.63	3.27	0.36

Source: research results

It is interesting to comment this consistently lower belief that volunteering could be the way to gradually enter into regular work than the conviction that volunteering is a good way to acquire work experience. This can only be explained as general attitude that work experience is not an essential prerequisite or guarantee to enter successfully into the 'world of work' – more precisely – to get a job. This is certainly a general attitude in Croatian society.

Directly asked if they considered working (volunteering) in non-profit organisations as a good way to find a good job and would they like to work in a non-profit organization, 41% of all (550) respondents answered positively to both questions. Taking into account that only 12% of respondents did have some previous experience with volunteering (out of which only 23% worked in non-profit organisations), it is evident that

unemployed in general view volunteering in non-profit sector as possibly very useful to find the way to the regular job(s).

Finally, a general overview of results obtained through a series of questions/statements on motivation for volunteering is given in the Table 5. It is interesting to notice that both highest and lowest ranked statement lay in the area of knowledge and skills acquisition. Although respondents see volunteering as very valuable and effective in new knowledge acquisition, they do not see it as very effective way into employment. That could indicate a significant problem – unemployed people in Split-Dalmatia county (and probably in Croatia in general) are not convinced that acquisition and possession of (new) knowledge and skills is crucial for faster and better employment.

Table 5. Overview of average grades and significant differences (+/-) by question groups and factors

Motivation area	Factors	Av. Grade	Volunteering exp.	Gender	Age	Education level	Working exp.	Unemployment duration
	Question							
Knowledge and skills	Acquiring experience	3.84	+	+	+	+	+	-
	Entry into employment	3.35	-	-	-	-	-	-
	Acquiring new knowledge	4.24	-	+	-	+	-	+
Financial compensa-	Rewarding	3.76	-	+	-	+	-	-

tion								
Social interaction	Meeting people	4.21	-	+	+	+	+	+
	Entertainment	3.37	+	+	+	-	+	-
Social motivation	Nobleness	3.97	+	-	-	+	-	+
	Behavioural model	4.13	-	+	-	-	-	+
Mutual help and self-help	Loneliness	3.87	-	-	-	-	-	+
	Personal services	4.19	-	+	-	-	+	+
	Personal problems	3.79					+	+

Source: research results

Questions/statement from the areas of social motivation and mutual help are ranked in the upper part of the list of motives. That could be taken as a strong indication that motivation for volunteering among surveyed population still lays in intrinsic and not in extrinsic area. Although areas and work that volunteers from this survey had been doing were mostly connected with extrinsic reasons and motives, general attitudes of participants was obviously inclined to genuine volunteering driven by non-material motives. To confirm that, financial compensation (rewards) was ranked only 9th out of 11 statements.

Final considerations

People chose to volunteer for different reasons, and many of those reasons include aspects of personal training, learning and development. Volunteering can help to develop and effectively use resources in the market economy – especially its human resources, human capital. Acquisition of knowledge, skills, experiences, contacts ... through volunteering can be very helpful for better and faster employment of unemployed people and more productive work of all those employed in 'formal' economy.

This paper elaborated findings from a research on volunteering among unemployed people in Split-Dalmatia county, aiming primarily to asses potentials of volunteering to help faster and more productive employment of unemployed. Summing up result on three main questions proposed for the research, it can be concluded:

1) Average duration of unemployment for volunteers was (in the period 2004 – 2008) 8.1 months versus 9.7 months for non-volunteers. Especially significant difference was found among those unemployed for more than one year. While the share of such persons in total number of unemployed

was on average 22.4%, share of volunteers unemployed for longer than one year was only 4.8%. This can be taken as strong **evidence that volunteering helps to faster and more productive employment of unemployed.**

2) Detailed analysis of the sample surveyed in this research (which was confirmed to be representative for total population of unemployed in Split-Dalmatia county) showed that **population of unemployed is very good target group to promote volunteering as the way to acquire new knowledge and skills.**

3) Attitudes towards volunteering among unemployed in Split-Dalmatia county are very positive by virtually all dimensions. They see volunteering as motivating and intrinsically and extrinsically rewarding activity that should be promoted and supported. Among other, **unemployed see volunteering as a good vehicle to improve their employability.** Still, majority of unemployed people in Split-Dalmatia county knows very little about volunteering (55% of them does not know any organisation that is doing such activities).

Therefore, systematic promotion of volunteering among unemployed should be seen as the activity that contributes not only to develop volunteering and increase individual and social benefits from volunteering itself, but even more as activity and tool to reduce unemployment, shorten unemployment duration for individuals, and increase productive utilisation of human capital.

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POSSIBLE SELVES AND CONSUMER BEHAVIOR AMONGST FIRST TIME MOTHERS AS RELATED TO SHOPPING FOR BABY GOODS

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Abstract

This research focuses on the purchasing cycle and the consumer behaviour of first time mothers and their variance with regards to the mothers' age, education and marital status.

Many studies have examined the changes in the household structure, from the traditional family (mother, father and children) to modern family structures that include divorce, unmarried couples or single mothers.

Becoming a mother for the first time involves many aspirations, goals and fears with which they have to deal. These major changes affect the mother's possible selves.

This study examines the relationships between the mothers' anxiety level, the depth of their information search, and the evaluation phase. This relationship was tested against the status of the mother, either having a married or unmarried co-parenting arrangement with a partner, or single mothers by choice (no relationships with the child's father).

The pilot research includes 46 first-time mothers who gave birth in the last two years in Israel. The interviewees varied as regards age, level of education and marital status, and were interviewed about their consumer behaviour habits as related to baby goods such as stroller, crib, changing table or carrier.

Based on the results of these interviews, we built a model explaining consumer behaviour of first-time mothers based on the various characteristics described above.

Key words: First-time mothers, possible selves, parented mother, evaluation, shopping goods.

Introduction

Becoming a mother is a significant transition amongst Israeli women. Every year some 45,600 women becoming mothers for the first time, 8.3% of whom are single with no co-parenting relationship with a father. Most of them use the sperm bank to get pregnant (source: Israel Central Bureau of Statistics, 2008, pp 178-203)

The average age of childbearing in Israel is 26.8. The Israeli Ministry of Social Welfare passed a law in 1992 confirming a single parent is one who has a child who lives with her and

- a) Is not married or have a common law partner;
- b) Is married but has lived separately from her partner for at least two years and has started legal proceedings to end the connection; or is an abandoned wife; or is separate from her partner, has lived for 90 days at least in a shelter for battered women, and has started proceedings to end the connection (unless the Welfare Board determines that such a step might endanger her or her child's life;
- c) Is a new immigrant, in Israel between 12-24 months, whose partner has not immigrated to Israel, and who has no other partner.

Kornfein, Weisner, and Martin (1977) classify single mothers, including mothers in their late 30s, as independent and choosing to have a baby on their own as "nest builders".

This paper observes the correlation between age, education and former experience with children amongst both parented and single mothers as regards their buying goods for the baby. Parented mothers were either married or in a cohabiting relationship with the baby's father, while single mothers have no co-parenting relationship with a man and decided to get pregnant and bear a child alone.

Social and consumer studies demonstrate significant linkages between the age of the mother's formal education, her income and marital status and the evaluation stage of baby goods purchased in terms of collecting data, the anxiety level, and the period of time she devotes to this (Kalmuss, Davidson, and Cushman 1992; Kalmijn, 1996; Lerman, 2002). It further analyzes the influence of demographic variables for a single parent and parented mothers as related to time, effort and anxiousness when starting to shop for baby goods.

The model suggested by this author shows that single first-time mothers have a higher anxiety level, spend more time before making a purchase and rely on professional data sources, compared to married or parented first-time mothers. It further refers to education as a conditional variable reducing the anxiety level both in parented and single mothers: the more educated the mother the lower her anxiety level prior to decision-making.

Literature review

Anxiety and possible selves of the new mother

Anxiety is subjective, experienced as tension and occurring in the nervous system. It is manifested as

- (1) State anxiety, experienced when something causes an appropriate and temporarily anxious feeling and then retreats until a 'normal' sensation is again experienced; or

- (2) As trait anxiety, which is the 'preset' level of anxiety experienced by an individual who has a tendency to be more anxious

Several researchers such as Hock, McBride, and Gnezda (1989), Stifter, Coulean, and Fish (1993), and Hsu (2004) measured the mother's separation anxiety both before and after birth. Another method of measurement employs the State-Trait Anxiety Inventory questionnaire, developed by Spielberger, Gorsuch, and Lushene in 1970. Two facets of anxiety are explored therein, each with twenty items for measurement, using a State Anxiety Inventory (SAI) and a Trait Anxiety Inventory (TAI). The former measures situational anxiety while the latter measures baseline anxiety. The items are rated on a 4-point scale, with a higher score equating a greater anxiety level. Spielberger et al. (1970) find that the test retest correlation for the TAI is higher than that for the SAI. Despite the fluctuating test-retest correlations for the SAI, which reflect its validity in measuring state anxiety, the internal consistency of the SAI, as measured by the Cronbach's alpha score, has been found to be high. The essential qualities evaluated by the STAIT anxiety scale are apprehension, tension, nervousness, and worry. The scores rise in response to physical danger and psychological stress, and drop as a result of relaxation training. On the STAIT anxiety scale, consistent with the trait anxiety construct, psychoneurotic and depressed patients generally have high scores

A mother's anxiety regarding her first child often includes worry, sadness, guilt and fear that she cannot provide her child with his needs and will not be a good mother. The changes experienced by the new mother during the transition prior to and following the pregnancy is associated with the mother's "possible selves identity" (Reder and Duncan, 2003; Banister and Hogg, 2006).

Pregnant women wonder about their new possible selves. "What kind of woman do I want to be?" "What kind of mother do I not want to be?"

These conflicts are more substantial amongst single mothers than parented mothers due to the fact that the former are more concerned about their income ability and have less time or

possibilities to adjust to their new identity and to prepare the growing new nest (Glezer, and Wolcott, 1997; Hand and Hughes, 2004).

Time as a paradigm amongst first-time mothers

Carrigan and Szmigin (2004) have found a correlation between dealing with time issues and consumption behavior amongst first-time pregnant mothers indicating that relative to their time available and income some mothers will shop around convenience stores looking for the best quality while others will bargain for low cost products.

As first time purchasers, the “good mother” is dealing with complex decisions and choices for herself and for the baby.

Carrigan and Szmigin (2004) conducted qualitative interviews with focus groups of first-time mothers in their third trimester of pregnancy on their values and attitudes when purchasing and on choices. They assert that a first baby will influence the buying process as consumption will express parental values and product usage. In their research the link between dealing with time issues and consumption behavior were based on Dapkus' (1985) three dimensions as follows:

- 1 Time as change and continuity (“Doing in time”): the conflict between the regular habits and the will to have a healthy diet for themselves and the new baby.
2. Time as limit and choices (“Becoming in time”): the way the expectant mother deals with time, since having a baby is a complex innovation demanding considerable time spent making purchases and seeking information before and after delivery

3. Time as tempo¹ (“Pacing in time”): since pregnancy is a temporary stage expectant mothers try to use this period as best they can to collect data and information pertaining to food, clothes and others products for themselves and for the baby

Some respondents in their research adhered to the advice of experienced and informed peers, while others followed their instincts. For some of the respondents it was a choice between new items and used items from previous mothers. Many found they were limited by their financial budget, but had considerable choice and variety in baby goods. On the one hand they were overloaded with information regarding what to buy for the first baby (from magazines, friends, and walking in stores) but on the other hand their choices were limited for budgetary considerations.

Belk (1985) and Kamineni and O’Cass (2003) show the link between materialism and the consumers' characteristics (age, gender, education, household with one or two parents, etc.). Their studies further show that older new parents have greater difficulty adjusting to the transition than young new parents: they focus more on health care products for themselves and for the baby during the pregnancy and thereafter.

Consumer behavior of first-time mothers

Involvement can be defined as “a temporary perception of product importance based on the consumer’s desire to obtain particular extrinsic goals that may derive from the purchase and /or usage of the product” (Bloch and Richins, 1983: 72).

¹ Tempo represents the speed and pattern of time: fast or slow, regular or irregular” (Dapkus 1985

In this study we focus on buying goods for the baby including a stroller, crib, carrier and dresser table. All products are of high importance for the mother because of the need for them and their significance for the baby's health.

The perceived risk felt by the new mother towards baby goods purchased for the first time motivates her high involvement and the complexity during purchasing.

Perceived risk is a popular region for researchers arising from uncertain buying as a consequence of a potential negative outcome (Dholakia, 2001).

Storey and Davies (2005) note that babies take first priority in the new mothers' purchases, who only thereafter buy for themselves.

In their qualitative work Andersen, Sorenson and Kjaer (2008) interviewed mother's groups in various provincial cities (small, middle and large) on their consumption behavior of baby's clothing from supermarkets and premium brands. The findings show that the mother's purchases of clothing indicate the extent of good mothering. Thus a perfect mother will buy designer products, and a less good mother will purchase goods from the supermarket.

These findings support the assumption that purchasing baby goods, even if at the expense of the mother's purchases, affect her self-image as a mother.

Demographic characteristics of first-time mothers

Family status

In recent years the number of single mothers ² in Israel increased three-fold compared to the last century (Israel Central Bureau of Statistics, 2008:178-203). The number of single mothers by

² Unmarried first time mothers relate to single mothers by choice as having no co-parenting relationship.

choice is also increasing globally (Wolfinger, 2008). In Iceland 63% of the new births are by single mothers, in Denmark it is 50%, in Norway 54%, and USA 43%. In 2007, 14% of the mothers in Israel were single mothers with no co-parenting relationship.

Most of the single mothers (64%) were born in Israel, have a higher education (72%), and work in a full-time job (75%). The average age of the first birth

among single mothers is 36.1 years compared to parented mothers who averaged 27.1 years of age.

Being a single mother is a stressful transition in the family life cycle and a critical decision for the parent. Since the period of childbirth can be longer

and postponed before embarking on a career, many women do not want to

wait for Mr. Right, and the alternative to being a single mother is neither rare nor uncommon (Hill, 2009).

The new family life cycle concludes the stage of being a single parent.

The literature on single parent households notes the work overload

experienced by them but offers little empirical evidence for a difference in the contribution to household production between one parent and two-parent

frameworks. Sanik and Mauldin (1986) observe that single parents suffer strong social and emotional consequences due to the absence of a spouse, and bear all the responsibility for homemaking, child care and employment. Researchers find that single mothers have little or no time to relax after working all day, while Schlesinger (1977) discusses the social isolation and loneliness of single parents.

Age

A review of the literature concerning age and the transition to motherhood indicates that age has a crucial influence on stress amongst first-time mothers

(Bouchard, Mylene, and Amanda, 2008)

Research, in general, shows that in recent years more women are choosing to delay motherhood not only because they have not found their desired partner but also because they have other alternatives for self-fulfillment prior to childbirth. These characteristics are shared by most older first time mothers (after the age of 35), with a high educational level (76.4% of the older mothers have higher education), a professional occupation, who are career-focused and have often made a career move to a distant capital (Merlo 1995; Weston, Soriano and Qu, 2006).

Teenage mothers, with a socio-economic disadvantage, present the opposite attributes – they are young, have often barely completed high school, and lack financial assets.

Young mothers (up to the age of 35) are more concerned about their financial savings and abilities to provide regardless of their family status, while mature mothers (in their late 30s) whether single or partnered, face the "Maternal wall" (Swiss and Walker, 1993). The barriers combining career and motherhood are likely to be a big challenge for the mother trying combine work and motherhood, but research amongst first-time mothers shows that they postpone motherhood for many years, but are then are dedicated to being a mother and stay at home to care for the baby. They have more saved income, squander less, and are more aware of saving and of financial security for themselves and the newborn compared to younger parents (Chi-Ching, 1995; Powell and Powell, 2001).

Single parenting entails far more financial stress than for parented mothers, who will return to work much faster than the latter. Mature-aged mothers

are more rational, since their decision-making and preparation is different, and they are more prepared for motherhood than young mothers (Bouchard et al., 2008). Furthermore, older partnered or single mothers will be more prepared and less worried than young single and partnered mothers

The ability of mature-aged mothers to adjust to changes compared to normative aged mothers is discussed in other studies (Hall, Wulff, White, and Wilson, 1994; Kapinus and Johnson, 2003; Campbell, Lackenbauer, and Muise, 2006).

Education

Education as a prejudiced character for mothers' behavior has been studied in the literature, which shows that mothers with a post high-school education focus on buying educational goods for the baby, notably books, educational toys and didactic games (Krein and Beller, 1988; Kalmijn, 1996).

In the child's early years the mother has a greater impact on the child's education than the father, while in high school the influence is the same (Krein and Beller, 1988).

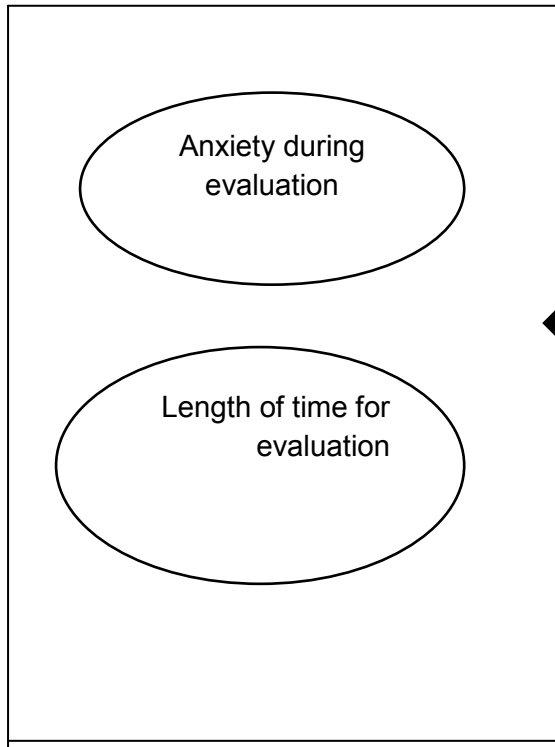
Bronfenbrenner's ecology model (1979, 1986) implies a link between mother's education, the household framework and consumption. Households with two parents who have a post-high school education invest greater sums of money in formal and informal educational consumption, and focus on creating a separate and quite environment for the child to learn and play (Bronfenbrenner, 1986).

This paradigm matches the research by Goodnow and Collins (1990), who suggest that married first-time mothers with higher education will buy more didactic games, books, and educational goods compared to other first-time mothers.

The suggested model

Based on the literature review the author proposes the following model predicting the mother's consumer behavior, based on family status, age, education and income.

Conceptual model of first-time mothers and demographic characteristics



Hypothesis 1

Single first-time mothers have a higher level of anxiety during purchasing shopping goods for the baby than parented first-time mothers.

Because of the importance of family status in related consumer behaviour and the global increase in single mothers it will be interesting to explore the correlation between family status and the anxiety level regarding shopping goods

Hypothesis 2

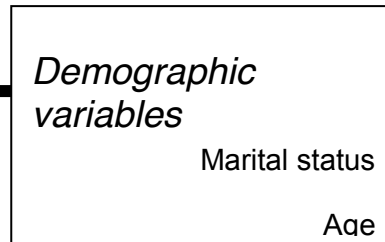
Single mothers will spend more time in consumption behaviour shopping for baby goods than parented mothers.

Based on the literature review dealing with consumer behaviour it will be interesting to explore the amount of time spent in consumption behaviour for baby goods relative to family status.

Data and methods

Sample

The research was based on personal interviews with 46 mothers in baby health care in Israel



between October 2010 and January 2011.

The dependent variables were mother's age at the time of the first birth, education and family status. The sample embraces 20 single mothers and 26-parented mothers, all of whom gave birth in the last two years. Sixteen of the first-time mothers were aged 18-24, twenty-three mothers were aged 24-35, and seven mothers were aged 35-44. Twenty-one mothers lacked higher education, and 25 first-time mothers had a higher education.

Table 1 presents a profile of the key demographic characteristics of the sample.

Table1: Sample characteristics

	Single mothers	Parented mothers
N	20	26
Age (years)	M= 32.9	M= 33.78

	SD= 4.58	SD= 5.65
Baby's age (months)	M= 11.22 SD= 4.50	M= 9.23 SD= 5.86
Education (number of years)	M= 16 SD= 2.47	M= 15.38 SD= 1.17
Income below average	21.1%	17.4%
Income average	68.4%	73.9%
Income above average	10.5%	8.7%

Measurement

Anxiety: This dependent variable was measured using the State-Trait Anxiety Inventory questionnaire, developed by Spielberger et al. (1970), and presented in the review of the literature.

The amount of time spent by the mothers searching for baby goods is measured through questions that included how much time they spent seeking information prior to purchasing and how much time they actually spent purchasing.

Control variables: The mothers' age of transition to motherhood, education and family status were measured using demographic questions referring to each variable. Age was categorized as 24-34 and 35-45; education was classified as low (up to high school) and high (post high school) education and family status was a single or parented mother.

Results

First, total scores were calculated on the anxiety scale for each participant and for each of the scales regarding the subjective duration of the time allotted for searching for baby items and the objective duration of time allotted for searching baby's items. The total scores for all the scales were calculated as the mean of all the items in the relevant scale. Thus, a high total score on the anxiety scale reflected a high feeling of anxiety. A

high total score in the subjective and objective search time scales reflected a lengthy search. In order to calculate the total score for the extent to which the participant consulted professional others regarding baby items, the first item in this scale (i.e., "consulted with my partner") was omitted. The total score was therefore calculated as the sum of the remaining items in this scale, thus a high score reflected a high tendency to consult with professional others. We now turn to examine the research hypotheses.

Hypothesis 1: Single first-time mothers have a higher level of anxiety during purchasing shopping goods for the baby than parented first-time mothers.

To this end, we first examined whether there are demographic factors correlated with the levels of anxiety. Pearson correlations revealed that levels of anxiety were correlated with years of education, $r = -.38$, $p < .01$, such that less educated mothers reported higher anxiety than educated mothers. Levels of anxiety were also correlated with the level of family income, $r = -.31$, $p < .05$, such that mothers from low-income families reported greater anxiety than mothers from high-income families. Therefore, in order to prevent a possible distortion, these two variables were controlled in the examination of the first hypothesis. In order to examine the difference in anxiety levels between parented and single mothers a one-way ANOVA analysis was conducted, with marital status as the independent

variable, anxiety as the dependent variable, while controlling education and family income. As predicted, the anxiety level of single mothers ($M=2.58$, $SD=0.49$) was slightly higher than the anxiety level of parented mothers ($M=2.33$, $SD=0.38$). This difference was significant, $F(1,42)=4$, $p<.05$, thus confirming our hypothesis.

Hypothesis 2: Single mothers will spend more time in consumption behaviour shopping for baby goods than parented mothers.

This hypothesis may be divided into two secondary hypotheses. In the first secondary hypothesis, the time allotted for searching for baby items was measured by the subjective duration. In the second hypothesis, the time allotted for searching for baby items was measured by the objective duration. Descriptive statistics are presented in Table 2.

Table 2: Means (and SDs) of the subjective and objective durations reported as a function of marital status

	Single mothers	Parented Mothers
Subjective duration	1.93 (0.86)	2.13 (1.02)
Objective duration	2.32 (0.99)	2.17 (0.75)

The data presented in table 2 suggests that whereas for the subjective duration, mothers spent more time searching for baby items than single mothers (in contrast to our prediction), the opposite pattern was found as predicted for the objective duration.

Each of these differences was put to an independent-samples t-test analysis. The difference between single and parented mothers in the estimates of the subjective duration of time was not significant, $t(44)=-0.74$, ns., as was the difference between single and parented mothers in the estimates of the objective duration of time, $t(44)=0.57$, ns. Therefore, the second hypothesis was refuted.

Discussion and limits

One of the most basic events in a woman's life is the transformation generated by giving birth. The internal and external world changes irrevocably as the new personality experiences profound adaptation to the baby's needs. Throughout history women have devised strategies, and sometimes adopted rites, devised by other more

experienced women, to aid them in this process. The need for support reflects the consciousness of the issues associated with birth, including the risk of infant and maternal mortality. Despite the low level of threat to the infant's and mother's wellbeing due to modern obstetric care, the worry and concern still exist for all parties.

Based on the findings of this study we can see that parenthood emphasizes the financial attention to expenses, income and saving. It increases the disagreements between new fathers and mothers as to whether they can support and provide for the baby's needs. Will they be able to save money? Can they manage the financial burden of a child? New parents become more aware of their expenses, income, saving assets and so on in the past and currently. They find themselves forced to adopt more reasonable buying habits that may entail postponing large expenditures (such as car, electrical goods or even moving house) and first consider buying goods for their first baby rather than themselves.

The study suggests that being a first-time mother, in a co-parenting relationship, reduces the anxiety over consumption of high involvement goods for the baby, probably because the parents consult among themselves and make the decisions after evaluation and discussion. First-time single mothers must take decisions regarding another person all alone, bearing all the responsibility by themselves (Halle, et al., 2008).

Fathers play a significant role in the transition to a family with a new born baby by supporting and participating in the child's development as early as during pregnancy (ibid). Single mothers have the same obligations towards the newborn but must cope with the new person in their life on their own.

The study also shows that new mothers do not spend different amounts of time according to their family status. Both single and parented mothers use their time as needed to evaluate and estimate baby goods prior to making a decision.

The complexity of the transition to first-time motherhood raises many questions such as what references and data sources are used by the new mothers and what significance is related to each source? What other demographic variables influence the new mother's consumption behavior? What is the percentage of e-purchases relative to data sources for single versus parented mothers. Other questions that should be studied are the differences between single and parented mothers in their behavior after buying the baby's goods, and their evaluation after purchasing. Finally more research should be conducted into the nature of the decision process amongst new mothers relative to their income and previous experience with babies. The increase in the number of single new mothers makes it potentially viable, from the baby's point of sales, to have an improved marketing strategy to adjust goods and performance of an exclusive orientation to this niche and thus fulfill its needs completely.

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CHANGING EATING HABITS IN EUROPE? – CASE STUDY IN SOUTH MORAVIAN REGION, CZECH REPUBLIC

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Abstract

The lifestyles of Europeans have changed over the last decade and it also lead to changes in eating habits. With decreasing amounts of time spent with physically demanding activities and inadequate calories intake, we face growing rate of obesity and health problems. The paper presents results of questionnaire survey among inhabitants of South Moravian Region (n = 2100) of the Czech Republic, conducted in November and December 2008, focused on exploration of their eating habits, reasons that lead to them, and attitudes to various issues connected with eating preferences. As the factors influencing their present eating habits, respondents stress the impact of their family eating habits and their parents as an example, the second factor is their job (or school attendance) and its impact on their daily schedule, and choice of meals available at their place of regular consumption. The paper provides suggestions for further comparative research in other countries in order to explore whether the changes are typical for the Czech Republic, or rather global.

Introduction

Lifestyle and Eating habits

According World Health Organization (1996), a healthy lifestyle is a way of a living that helps you enjoy more aspects of your life. Health is not just about avoiding a disease or illness. It is about physical, mental and social well-being too. It is only up to each of us to make a decision of making healthier choices in our lifestyle which will give us more opportunity to enjoy more aspects of our life for longer.

Our physical activities and healthy eating habits are largely determined by social, economic and cultural factors and physical environments that influence access, availability and uptake. It is well documented that health promotion and illness prevention increases the probability of a longer and healthier life. The lifestyle refers to a pattern of consumption reflecting person's choices of how he or she spends time and money, but in many cases it also refers to the attitudes and values attached to these behavioral patterns (Solomon, Bamossy, Askegaard, 2002).

Differences in lifestyles may be results of different money and time constrains. One such issue is the "paradox of plenty" (Levenstein, 1993), which refers to social consequences of food overabundance, among them the considerable disparities in diet and health between rich and poor. Wealthier people usually are healthier, and they choose better diets. They also tend to avoid smoking cigarettes, to drink alcohol in moderation if at all, and to be better educated and more active physically.

Lyons & Langille (2000: 9) state that in real life, lifestyle is a product of some combination of choice, chance, and resources. Rutten (1995) offers important distinctions among a number of lifestyle-related concepts: life conditions (resources), life conduct (pattern of behaviors), lifestyle (collective patterns of life conduct), and life chances (structural-based probability of correspondence of lifestyle and life situation). One's socio-cultural environment is a very powerful determinant of lifestyle. Shields (1992) and other sociologists have suggested that lifestyles are essentially artifacts or reflections of culture, individual choice being a less important factor than social determinants. We can agree with Solomon, Bamossy and Askegaard (2002) that the lifestyles of people in each country differ

in a variety of ways, some quite subtle and some quite noticeable, some easy to explain and some not obvious.

From the another point of view this differences in lifestyle can be caused that people choose the lifestyle that gives them the highest joy and satisfaction today, without bothering if their behavior affects health. One might also raise the question if the lifestyle follows from the habits, traditions and norms people are trained to follow. The term “healthy lifestyle” evolved from the idea that people’s daily pattern of activities can be judged as healthy or unhealthy. A healthy lifestyle is generally characterized as a “balanced life” in which one makes “wise choices”. However, the array of choices is influenced by many factors (Lyons & Langille, 2000: 9).

Objectives

The objective of the paper is to present partial results of questionnaire survey among inhabitants of South Moravian Region (n = 2106) of the Czech Republic, conducted in November and December 2008, focused on exploration of their eating habits, reasons that lead to them, and attitudes to various issues connected with eating preferences. The covered issues include eating patterns during a day, consumption of beverages, eating away from home and time spent with active sport vs. time spent sitting on average during a day. The papers intention is not to draw elaborate conclusions, but to provide first working overview in order to set a platform for further joint comparative research in other countries.

Culture’s Consequences on Consumer Behavior

The main factor that affects the way, in which people from different cultures behave, is cultural differentiation. Culture refers to a “set of values, ideas, artifacts, and other meaningful symbols that help individuals communicate, interpret, and evaluate as members of society” (Blackwell *et al.*, 2001: 314). According to McCracken (1988), culture serves both as a “lens” through which all phenomena are seen and as a “blueprint” of human activity, determining the coordinates of

social actions and productive activity. Culture provides people with a sense of identity and an understanding of acceptable behavior within society. All cultures exhibit certain similarities. There is, however, great variation from society to society in nature of each of these elements, which may result in important consumer behavior differences around the world.

Culture is a powerful force in regulating human behavior (Schiffman, Kanuk, 2004). Its impact is so natural and automatic that its influence on behavior is usually taken for granted. Often, it is only when we are exposed to people with different cultural values or customs that we become aware of how culture has molded our own behavior. More significantly, many studies have succeeded in establishing links between culture and consumer behavior (McCracken, 1986). A study by Wallace (1965) associates consumer behavior directly with culture. He believes that the culture is the all-encompassing force which forms personality, which in turn is the key determinant of consumer behavior.

Humans make adaptations to changing environments through innovation. Individuals learn culture from social institutions through socialization (growing up) and acculturation (adjusting to the new culture). Individuals also absorb culture through role modeling, or imitation of their peers. Finally, people make decisions about consumption and production through application of their culture based knowledge (Cateora, Graham, 2004: 98).

Eating as a part of lifestyle

Interest in food topic among general consumer may have reached a historical high. This rise in popular interest in all things food has mirrored by a rise in the interest in food-related topics in the society. Food consumption from the respect of volume and its structure influence the health state of an individual, his performance, psychological comfort, even his length of life. The energy intake should correspond with his energy output and health conditions. That can significantly vary among people. Nevertheless, we can still experience regional eating habits, which are influenced by demographic, economic, cultural or environmental factors impacting habits of

particular population, and structure of local agricultural production.

The study Nutrition and its impact on health⁴² (2006) proves considerable differences in food consumption among various social groups, where mainly the low income groups have a greater propensity to unbalanced nutrition and low level of fruit and vegetable consumption. The result of this is many times a deficit of important micronutrients or excessive energy intake connected to overweight and obesity. The reasons may stem from following three aspects: prices, availability and know-how. Moreno *et al.* (2005) make note of evidence that a great number of nutrition-related factors for chronic diseases start in early childhood and adolescents and this impact is becoming an international problem requesting intervention.

One of the determining factors is the physiological needs of a person. Balance between hunger and food consumption is controlled by our nervous system. The feeling of saturation plays a significant role in reaching energetic balance. The feeling of satisfaction resulting from food is dependent of taste parameters of a meal, thus, on sensorial food characteristics, but also on individual perception of a consumer. The way we eat has an important impact on health state of a person. Most people, however, show greater of minor deviation of "ideal state".

Our research focused on eating habits of Czech and it was a pilot study with an ambition to become a periodic research. Our samples presented in this paper of consist of 2106 respondents in total with following sample structure (see tables 1, 2 and 3).

Sample structure

⁴² Výživa a její vliv na zdraví. *Životní podmínky a jejich vliv na zdraví obyvatel Jihomoravského kraje*. (Nutrition and its impact on health. Living conditions and it impact on health of inhabitants of South Moravia) [online]. Brno: c2006. [cit. 2007-05-14]. Available at: <http://www.zubrno.cz/studie/kap05.htm>

Table 1: Sex (in %)

Men	41,9
Women	58,1

Source: FBE MENDELU in Brno, Questionnaire survey, Nov.-Dec. 2008, n = 2106

Table 2: Age (in %)

12 to 17 yrs	5,6
18 to 24 yrs	37,4
25 to 34 yrs	20,4
35 to 54 yrs	26,6
55 to 64 yrs	4,9
65 yrs an older	5,0

Source: FBE MENDELU in Brno, Questionnaire survey, Nov.-Dec. 2008, n = 2106

Table 3: Occupation of respondents (in %)

Employees	45,5
Students	36,6
Entrepreneurs	6,1
Retired	6,9
Farmers	1,0
Other	3,6
Not answered	0,2

Source: FBE MENDELU in Brno, Questionnaire survey, Nov.-Dec. 2008, n = 2106

Results

Meals consumed per day

The healthy diet suggests that we should be eating regularly, in smaller portions divided in more meals during a day instead of larger portions in one or two meals. The table 4 presents the ratios of inhabitants of South Moravia and their meals consumed typically during a day.

We can see that 25% of South-Moravian population skips breakfast on week days. It is

more typical for men than women, who seem to have more regular eating schedule than men. Nevertheless, the differences between men and women are only minor; men only admitted they tend to eat more often later in a day (dinners and evening snacks). On weekends, we can see more people eating breakfast. We can assume it is thanks to more time available for morning meals. Less South-Moravians eat morning snacks on weekends though, which may be due to the fact that their breakfasts take place later in a day and, thus, no snack before lunch is needed.

Table 4: Typically consumed meals during a day (meals that respondents usually don't skip), in %

	Week days			Weekends		
	<i>All</i>	<i>Men</i>	<i>Women</i>	<i>All</i>	<i>Men</i>	<i>Women</i>
Breakfast	74.1	68.0	78.5	82.4	77.9	85.6
Morning snack	48.5	45.7	50.6	22.5	22.7	22.3
Lunch	86.2	86.5	86.0	93.5	93.4	93.6
Afternoon snack	49.0	45.7	51.3	47.2	42.6	50.6
Dinner	89.2	91.8	87.3	87.6	90.5	85.5
Supper /evening snack	28.7	36.7	22.9	33.3	41.3	27.5

Source: FBE MENDELU in Brno, Questionnaire survey, November-December 2008, n = 2106

We inquired what the typical snacks were. As the table 5 illustrates, people most often consume bakery products and fruit. They are filling and refreshing. Although vegetables are not so

popular, less than one third of respondents tend to consume it as a snack, biscuits and cookies are preferred. Only 10% of our respondents claimed they never eat snacks.

Table 5: Typical snack, in %

I do not snack	10.0
Bakery products	58.8
Fruit	57.1
Dairy snacks	39.8
Biscuits or cookies	32.6
Toasts and sandwiches	30.3
Vegetable	29.7
Hot drinks	23.5
Chocolate and chocolate bars	19.5
Cereal bars	16.3
Salads	12.7
Cereals, corn flakes	11.5
Soups	7.5

Cakes and sweets	4.9
Nuts	4.7
Chips (potato)	3.5
Something else	3.2

Source: FBE MENDELU in Brno, Questionnaire survey, November-December 2008, n = 2106

The table 6 provides explanations why and when people eat their snacks (respondents could check up to 3 answers). Most frequent reason is the feeling of hunger, which can be considered as positive indicator that people are not accustomed to starving and skipping meals. Although, for almost one third of respondents, snack is only a replacement for a bigger meal when they don't have sufficient time for eating. Almost 10% respondents eat snacks out of boredom.

Table 6: Time and reason for eating snacks, in %

When I am hungry.	74.5
When I want a treat.	30.7
When I don't have time to eat bigger meal.	27.3
It's a habit.	15.8
It's healthy.	14.7
When I'm bored.	9.8

Source: FBE MENDELU in Brno, Questionnaire survey, November-December 2008, n = 2106

Water is essential for our lives. Due to losses of water through faeces (100ml), in normal perspiration (200ml) and as urine (1.5l), even when living and breathing in a temperate climate our body requires about 2.5l a day. Our metabolic processes in bodies manage to produce about 250ml of water and we process another 750ml from our meals, thus, it leaves 1.5l to be supplied from drinks (Food Today No. 53). Therefore, our

further question focused on respondents' consumption of beverages per day on average. The results are presented in Table 7 and we can see that some of our respondents may risk problems resulting from dehydration, such as headaches, tiredness and loss of concentration, because their water intake is not sufficient.

Table 7: Consumption of beverages per day on average (in %)

Up to 1 liter	12.5
From 1 to 2 liters	56.6
More than 2 liters	30.7
Not answered	0.2

Source: FBE MENDELU in Brno, Questionnaire survey, November-December 2008, n = 2106

Eating away from home

Many people spend a significant part of their days away from home, thus, it is necessary to consume food out-of-home. But being at work or school is not the only reason why people decide not to eat at home. The answers of our respondents provided us with information, what are their reasons for eating-out-of-home (see table 8). Besides a provision of an easy access to warm meals, the second most frequently mentioned reason was the saving of time and troubles with shopping, cooking and similar activities. This reason is more important for men than women (whose 2nd most frequently marked reason was

the elimination of need to bring their own food from home).

Men also appreciate more the reasonable costs of meals provided away from home than women do, while women appreciate the possibility to enjoy their meals in a company of friends. Nevertheless, we can say that there are no real significant differences in reasons for eating away from home based on sex of respondents. Only 6.2% of respondents eat out-of-home due to the fact that they cannot cook (it is more frequent among men than women).

Table 8: Reasons for eating out-of-home (more answers possible), in %

	All	Men	Women
It's an easy access to warm meals	50.0	54.2	47.1
I save time and cut out tasks (such as shopping, cooking, etc.	35.4	38.4	33.3
I don't need bring my food from home.	34.7	33.7	35.5
It is price worthy.	24.5	26.9	22.7
To enjoy the experience of eating in a company of friends.	24.8	22.3	26.6
Going out for a treat i.e. for special occasions.	19.6	15.0	22.9
To eat different meals than typically at home.	19.4	19.1	19.5
I cannot cook.	6.2	10.1	3.4
Different reasons	6.1		

Source: FBE MENDELU in Brno, Questionnaire survey, November-December 2008, n = 2106

If we look at the average monthly expenditures on eating away from home per inhabitant as it is recorded by Czech Statistical Office, we can see that there is a growing trend in total expenditure, however, it is mostly due to rising expenditures in restaurants, cafés and bars, the expenditures in canteens and cafeterias are, on the contrary,

decreasing. It is also visible that there is a certain cyclical pattern with the lowest spending in 3rd quarter of a year (July through September), when people usually go on vacation, therefore, they replace their meals consumed in canteens and cafeterias at schools and work with meals consumed in restaurants.

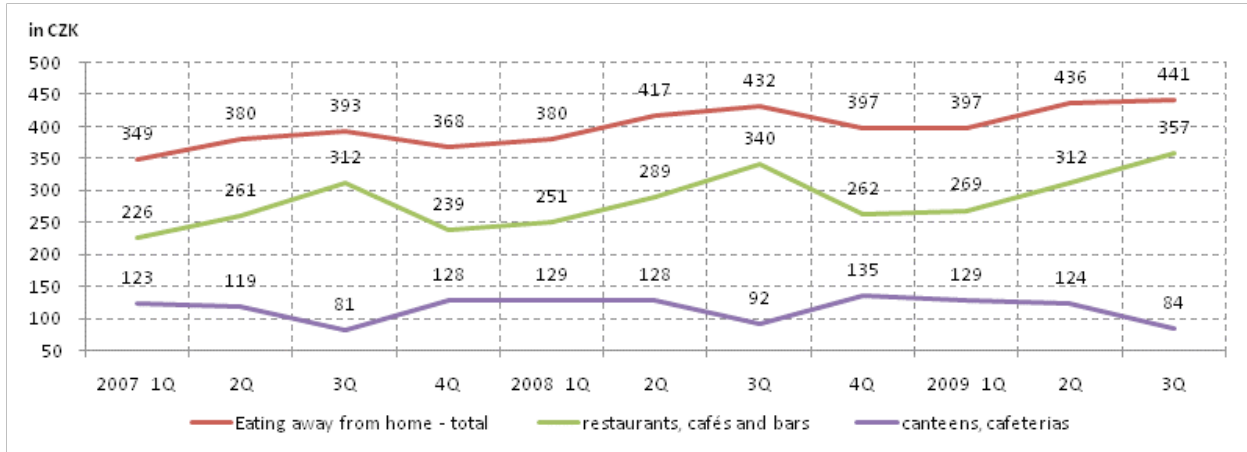


Figure 1: Monthly expenditures on eating away from home per inhabitant, in CZK

Source: Czech Statistical Office, Expenditures and consumption of households, Statistics of family accounts, 1Q 2007 – 3Q 2009

The locations where the meals are typically consumed are presented in the following table 9. Restaurants and bars are the top places for out-of-home eating, probably due to the fact that not every company has its own canteen or cafeteria,

and even if it does, not every respondent decides to eat there. Another reason is that restaurants are visited at special occasions too, not only when our work or school keeps us away from our own kitchen.

Table 9: Place of eating away from home (more answers were possible)

	All	Men	Women
Restaurant / bar	54.9	59.0	52.0
Cafeteria / canteen	46.2	44.9	47.2
Fast food restaurant	36.1	39.8	33.4
None	8.9	8.4	9.3

Source: FBE MENDELU in Brno, Questionnaire survey, November-December 2008, n = 2106

As the figure 2 illustrates, almost 80% of respondents eat away from home at least once or twice a week on average, but it's less than 50% of respondents who at least once a week on average or more.

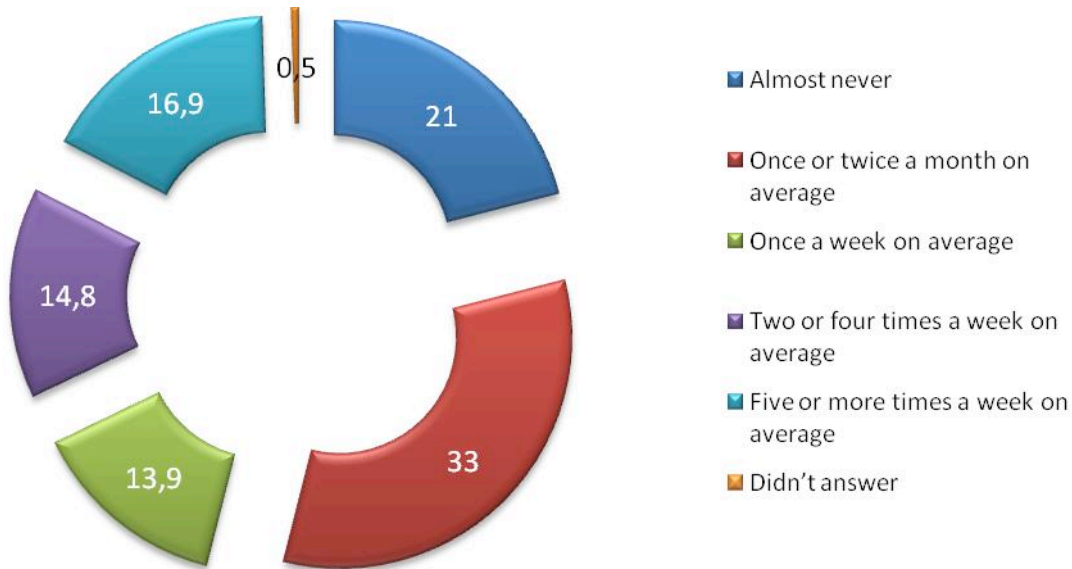


Figure 2: Frequency of eating out-of-home, in % Source: FBE MENDELU in Brno, Questionnaire survey, November-December 2008, n = 2106

Physical activities of South-Moravians

When talking about food intake, it is reasonable to focus on energy spent through physical activities. We asked our respondents to estimate the time they spend with active sports on average per day and the results are not very flattering. Nearly half

Table 10: Time for active sport per day on average

of our respondents spend less than 10 minutes per day with active sports on average and only 10.3% of all of our South-Moravian respondents spend more than 45 minutes with active sports (with women being more active than men, see table 10).

	All	Women	Men
More than 45 minutes	10.3	15.8	6.5
From 31 to 45 minutes	12.4	15.0	10.9
From 11 to 30 minutes	30.2	28.7	32.1
Max. 10 minutes	45.6	40.6	50.4

Source: FBE MENDELU in Brno, Questionnaire survey, November-December 2008, n = 2106

Alarming is also the number of time spent sitting during a day. Again, nearly 50% of our respondent spend more than 6 hours sitting per day on average, with no significant difference between men and women. Our future research will probably need finer scale for the top category (6 hrs or more).

Table 12: Time spent sitting per day on average (in total: at school, at work, at home)

	<i>All</i>	<i>Women</i>	<i>Men</i>
More than 360 minutes	48.2	48.1	48.7
From 1 to 360 minutes (max. 6 hrs)	25.2	24.2	26.0
From 121 to 240 minutes (max. 4 hrs)	15.8	16.9	15.1
Up to 120 minutes (max. 2 hrs)	10.4	10.8	10.3

Source: FBE MENDELU in Brno, Questionnaire survey, November-December 2008, n = 210

Conclusion

Our elementary data analysis provided us with first impression that South-Moravians have fairly regular eating patterns when considering the consumption division in number of meals during a day, however, when taking closer look at the composition of their snacks, we can see that there is a great potential for improvements – most snacks are represented with bakery products as the top, fruit being the second, but vegetable consumption is lagging behind (less than one third of respondents snack on vegetables).

The results also suggest that many South-Moravians don't drink enough beverages during a day which may lead in feeling of tiredness, headaches and more severe health problems eventually too. Most of the meals are either consumed at home, or prepared at home and taken along to work or school by South-Moravians, because only 50% of our respondents eat away from home (in a restaurant, cafeteria or a bar) at least once a week.

Alarming is the state of energy spending – only about 50% of our respondents devote more than 10 minutes per day on average to active sports, and about the same share of South-Moravians spend more than 360 minutes per day on average sitting. These findings suggest that present lifestyle of South-Moravians may lead to future health problems and intervention initiating a change is necessary.

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THE RELATIONSHIP BETWEEN SOCIAL MEDIA CONVERSATIONS AND REPUTATION DURING A CRISIS: THE TOYOTA CASE

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Abstract

The current study investigates the complex relationship between communications on the Internet and reputation changes during a crisis, through the analysis of the Toyota recall case. We use secondary order data regarding communications and people's perceptions and attitudes. We were particularly interested in studying the impact of online communication and social media conversations, studying the role of consumers, media, and the firm itself in these conversations. The link between negative media coverage and reputation, and the link between negative consumer's messages and reputation, do not seem to be so direct and simple as many academics and practitioners claim. We seek to demonstrate that there is an internal validity bias in assuming that online conversations can be used as a proxy of online reputation, and our findings show how misleading this association can be. It is necessary to consider the role of the relationship's history, and also how the company invests in conversations and relationship management through traditional and social media during the crisis. This case analysis aims at clarifying the conceptual and methodological framework for studying the impact of social media on reputation building and protection. Managerial implications are discussed.

Keywords

Corporate reputation, social media, crisis management, online conversations, Toyota

important, since social media have been recently described as the place where the reputation of an organization can be either nurtured or destroyed (Yang, Kang and Johnson, 2010).

The advent of the Internet and, more recently, of social media - where Internet users collaborate, share information and opinions - is the critical phenomenon of the last decade in communication. Depending on the definition of the term "social media", we can identify millions (if not billions) of users who participate in online communities as an ordinary ingredient of their social experience (Kozinets, 2010). In investigating this phenomena, the literature has widely adopted the label of "social media" ("social web" or "Web 2.0") to identify an online environment where people with common interests can gather together to share thoughts, ideas, and opinions on products or brands (e.g. Weber, 2009). In this context, "social media markets" are conceived as made by interactions and stories between people who use digital social platforms as a new form of communication media and a social environment (Mandelli, 2010). Compared to the past, these users are not passively consuming published content, but rather actively communicating with one another (Hoffman and Novak, 1996; Cantoni and Di Blas, 2002; Mandelli, Accoto and Mari, 2010), thus becoming media players. The online environment can, under many circumstances, be used as a medium of meaningful social exchange (e.g. Rheingold, 1993), where collectives of customers form new global niches, segments and electronic tribes convene (Cova and Cova, 2002). These communities, which recently show impressive growth, are no longer bounded by local, spatial or temporal environments, and thus represent immense opportunities for market-oriented consumer interactions (Fielding et al, 2008). The study of social aggregations is

1. Introduction and research question

This paper investigates the complex relationship between communications on the Internet and reputation during a crisis. This issue is particularly

particularly important because reputation is formed by both individual perceptions and communications in the relevant communities (Mandelli, 2010). Social media is an invaluable research site offering extraordinary opportunities for marketers to study tastes, desires, and other needs of consumers as part of a specific community (Kozinets, 2010; Fielding et al, 2008). Social media are putting consumers closer to companies so that they can be conceived as part of the organization (Mandelli, 2008). This evolution has led to the idea that brand managers can utilize social platforms to build and manage relationships with consumer communities (McWilliam, 2000; Banks and Daus, 2002). This idea appears to have profound communication implications (Cantoni and Tardini, 2006). As suggested by Mandelli and Accoto (2010), marketers can utilize online communities and their conversations as part of the process of value co-creation, to foster dialogue (Rybalko and Seltzer, 2010), promote advocacy (Cova and Cova, 2002), facilitate support (Füller et al, 2007), spur innovation (Tapscott and Williams, 2007), build social presence (Kozinets et al, 2010), build conversational leadership (Mandelli, 2008) and create linking value (Cova, 1997). In addition, many authors recognize social media to be an extremely powerful tool for crisis management, useful to regain consumers' trust and to empower people to talk on behalf of the company (Bernoff and Schadler, 2010).

Clear objectives in terms of social media strategy can help the company identify the most appropriate set of metrics to assess its online performance.

The diffused adoption of social media has promoted the rise of a new domain of practices for measuring the impact of these new contents and conversations on corporate reputation. The main characteristic of these practices is that they are based on monitoring conversations, for the ultimate purpose of identifying reputation risks emerging in online social environments. Within this approach conversations' coverage of the brand is considered as a proxy of reputation measurement in social media. We claim that this approach is based on an incorrect conceptual definition of "reputation in social media" and may produce misleading results.

Our specific intent in this paper is to study the impact of online communication and social media conversations by analyzing the role of consumers, media, and the firm itself in these conversations. First, we present an extensive literature review on social media measurement practices and reputation management in social media. Our general idea is that we should base our analysis on a clear

conceptual definition of the constructs involved: conversations, brand image and reputation.

We base this conceptual framework on Mandelli's arguments (2010 and 2011). Another conceptual model useful for the analysis is the one that links the effectiveness of crisis management to the state of pre-crisis relationships (Wong et al, 2008). We apply this model to the recent Toyota recall case. This empirical case analysis will offer useful examples for better explaining, exploring, and (preliminarily) testing the framework proposed. In particular, we analyze the relationships between the company and consumers, the perceived crisis responsibility and Toyota's crisis response strategy. Then, we focus on available information about Toyota's strategy effectiveness. Finally, we discuss the managerial implications of our findings.

2. Current practices in social media measurement

An analysis of current practices of social media measurement demonstrates the existence of several technology-supported methodologies and a growing set of metrics which can be applied to measure relevant phenomena in social environments (Mandelli, Accoto and Mari, 2010).

Sophisticated software has been recently developed, increasing the possibility to measure dimensions of social media conversations that could not be measured before (Sterne, 2010). This possibility translated into a large and differentiated offering by specialists in the field, and led to the proliferation of specialized tools and services.

This rising number of metrics for measuring relevant communication and brand-related phenomena in social media can be divided into 4 main categories: customer engagement, buzz, brand advocacy and influencer analysis (Mandelli and Accoto, 2010). The other two classes of metrics, brand engagement and reputation analysis, enlarge the scope of our measurement possibilities, offering information on competitive social media presence of the brand, and the social map of public opinion structures in social media. Many of these metrics and methodologies are redundant and poorly defined and operationalized, because they are developed in different contexts for serving different knowledge and strategic goals (Mandelli, Accoto and Mari, 2010). Another weakness is the lack of standardization of concepts and technical terminology. Furthermore, reliability of these tools is weak leading to a wide discrepancy of data collected with different measurement platforms.

The measurement of the so-called "online reputation" is part of this larger picture. In most of the practitioners' literature the impact of online conversations on reputation is often taken for granted, i.e. not analyzed (Weber, 2009; Gillin,

2008; Scott, 2008; Breakenridge, 2008; Li and Bernoff, 2008). Besides, there is often confusion between the opinion concerning the brand, i.e. brand advocacy (or negative comments about the brand), expressed in conversations online, and the reputation of the company itself.

A clear definition of these different constructs and processes becomes relevant.

3. Defining reputation management in social media

Academics have paid little attention to the impact of social media on corporate reputation (Mandelli and Cantoni, 2010). Recent studies (Mandelli, 2010 and 2011; Mandelli and Cantoni, 2010) suggest including online conversations in a more complex model of what influences reputation on the Internet. This challenges simple and mechanical connections between social media conversations and reputation-related effects.

Within this perspective social media monitoring helps build learning and alerting/self-control mechanisms, because it allows to identify critical issues and reputation risks.

However, in order to evaluate the impact of these conversations on reputation, Mandelli (2010 and 2011) states that it is important to assess the way this online communication, in interaction with third party communications (particularly professional media coverage) and brand's communication, influences public opinion. The author also reminds that the public agenda is meant to be measured at the individual perceptual/attitudinal level, but also at the macro agenda-building level. This modeling should also account for the role of contingent variables at the individual and macro-level (Mandelli 2010 and 2011), studying this process of public opinion formation in different stakeholder groups' arenas (Mandelli and Cantoni, 2010).

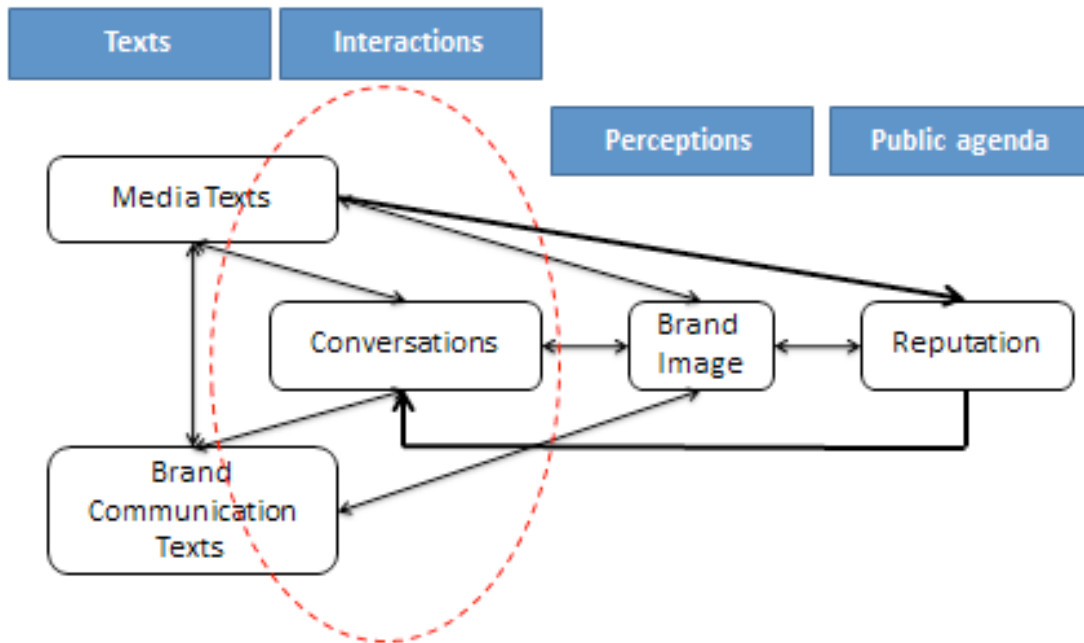
As Mandelli (2010, p2) suggests: "The individual belief about a company (image) cannot be considered the reputation of that company, because it cannot be used as a social control mechanism. It assumes this potential as soon as it is propagated in the relevant population, useful also for guiding actions of other people who do not have direct experience of that object. This is why we should use the aggregated evaluation of an object, on relevant

criteria for that population, as a measure of that object's reputation. We can use individual-level data when we are interested in studying the impact of communications and conversations on individual perceptions, which are part of the larger process". Based on this argument the author explains that measuring reputation and changes to reputation through the simple measure of conversations in social media is not correct. This is because reputation is made by perceptions and enduring attitudes in the stakeholder publics (Fombrun, 1996; Downing, 2001), not by content or short-term declarations of customer satisfaction/experiences (Mandelli, 2010).

Building on the relevant literature in the field (Fombrun, 1996; Downing, 2001; Fombrun and Van Riel, 2003; Carroll and McCombs, 2003; Rindova, 2005), Mandelli (2011) proposes "... to conceptualize corporate reputation as the social and competitive standing of a company, measured as a macro-level public agenda, outcome of a communication process in which conversations (interactions) have a context and a contextualized role into larger and complex narratives. Only the observation and the analysis of the larger picture of narratives (which bridges otherwise distanced conversations) allow to understand the larger sensemaking process. We should not confuse the process with the outcome, nor the contextualized interaction with the higher order sensemaking phenomena" (p3). In Mandelli's (2010 and 2011) model "... brand image is the individual interpretation (beliefs) of the cumulative information and experiences that concern the relevant attributes of a brand; also brand image is an outcome, but at the individual psychological level. In order to understand the relationship between brand image and brand reputation it is necessary a shift from the perceptual to the attitudinal/affective dimension (brand trust, brand affect, brand esteem), and from the micro psychological level to the macro public agenda level."

Mandelli (2010 and 2011) proposes this conceptual model of the reputation building process; Mandelli and Cantoni (2010) propose a multi-level quantitative methodology for applying this model to empirical studies. In our paper we apply this approach to the study of an empirical case.

Figure 1 - Conversation is not image, image is not reputation



Source: Adapted from Mandelli (2010)

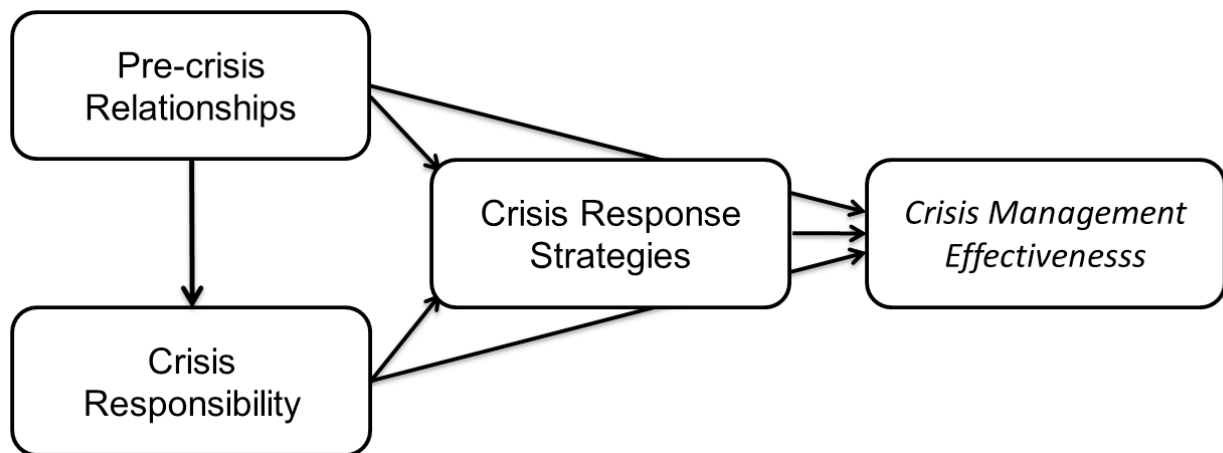
4. A model of crisis management in social media

Previous studies have investigated the potential of online communication for building and maintaining relationships with publics (Bortree and Seltzer, 2009; Kent, Taylor and White, 2003; Park and Reber, 2008). However, little attention has been given to the impact of online communication and social media conversations on crisis communication. To employ the right crisis-response strategy in social media, a company needs to understand that relationships with stakeholders are the “core value of Public Relations” (Wong and Hung, 2008; Han and Grunig, 1999). The importance behind relationship in crisis management is twofold. First, relationships affect how stakeholders process actual episodes. Second, the company’s crisis-response depends on the kind of relationship it has built up with its influent publics. In addition, many authors (e.g. Grunig and Hung, 2002) argue that reputation and organization-stakeholder relationship are interrelated. Thus, crisis response strategies serve as organizational reputation and image defender (Hearit, 1994). Individual relationships (i.e.

perceptions of relationship) influence reputation in the long-term. Relationships being dynamic and subjective (Wong and Hung, 2008), a firm must regularly assess the subjective perception of the organization’s stakeholders. Therefore, “crises are episodes in the ongoing relationship” (Coombs, 1999a, p73) that exist not in isolation, but rather as part of the greater relationship between an organization and its stakeholder (Ledingham, Bruning and Wilson, 1999). In this sense, Lerbinger (1997) suggests that the reason for crisis is mainly due to the scarce attention that a company pays to existing or emerging complications and evolving stakeholders (Coombs and Holladay, 2001).

The model for the crisis management analysis we present in this study has been adapted from a recent framework developed by Wong and Hung (2008). The model is applied to the study of social media effects in relationships and explains that the pre-crisis organization-stakeholder relationship has an impact on crisis responsibility and on the choice of crisis response strategies.

Figure 2 - A model of crisis management in social media



Source: Adapted from Wong and Hung (2008)

Crisis events are dependent on stakeholders' interpretations. As for individuals, groups of people also give different interpretations on an issue depending on several factors, such as information available, distance from the company or personal interest in the company.

Crisis responsibility represents "the degrees to which stakeholders blame the organization of the crisis event" (Coombs, 1998, p180). Therefore, "the stronger the responsibility that public perceive, the more the stakeholders blame the organization for the crisis" (Wong and Hung, 2008, p209).

Today, people empowered by digital technology can exchange real time information in an easy and inexpensive way. Thus, many-to-many communications play a central role in the evaluation of crisis responsibility (i.e. when the public seeks causes and attributes a crisis). In synthesis, favorable stakeholders' perception of their relationship with the organization at the pre-crisis stage will lead to weaker crisis responsibility attributed to the organization. On the other hand, unfavorable stakeholders' perception of their relationship with the organization at the pre-crisis stage will result in attributing stronger crisis responsibility to the organization. In the attribution process, individuals may not be able to consider all possible factors that led to a failure and attribute to each cause the right load in contributing to the crisis (Wong and Hung, 2008). For that reason, unexpected events are likely to stimulate casual thinking (Weiner, 1985; Wong and Weiner, 1981;

Coombs, 1999a). In this model, crisis responsibility functions as a mediator variable (Wong and Hung, 2008).

Both stakeholders' perceptions of their relationship with the organization in the pre-crisis stage and crisis responsibility should contribute to the organization's choice of crisis-response strategies. The set of actions an organization can employ in response to a crisis can be divided into accommodative and defensive ones (Marcus and Goodman, 1991). In accommodative strategies, companies accept responsibilities and/or take remedial actions, whereas in defensive strategies they deny responsibilities for the crisis. Although, accommodative strategies are thought to be more effective when the crisis responsibility is strong and defensive strategies when the crisis responsibility is weak (Coombs, 1999b), many authors (e.g. Wong and Hung, 2008) suggest that in this influence also the quality of relationships should be considered.

5. The Toyota recall crisis – Brand and reputation history

Toyota Motor Corporation is the world's largest automobile manufacturer by sales and production (OICA, 2009). Toyota's rise to become the undisputed leader of the auto industry (Finch, 2010) was based on a mantra that the quality of its vehicles was the highest priority (Liker, 2003; Toyota Motor, 1988).

Toyota entered the U.S. market in the late 1950s, when Japanese products were still considered as

having poor quality. It took a long time for Japanese automakers to gain their high quality reputation. In the early 1980s, the Japanese superior reliability ratings did become a major U.S. mass media theme (Watanabe, 2007) and the growing Japanese competence in quality turned into large market share gains. Toyota's ascension in the global market is best captured by the traditional word *jojo*: "slowly, gradually, and steadily" (Liker and Hoseus, 2008).

Toyota and its luxury line, Lexus, have been consistently rated among the top automotive brands in terms of reliability, initial quality, and long-term durability for almost 15 years (Chester, 2004). In 2007, Toyota was the most profitable car manufacturer, making a profit of \$13.7 billion, whereas GM and Ford reported a loss of \$1.97 billion and \$12.61 billion, respectively (Kendra, 2009; Watanabe, 2007).

After reporting a record profit, the global recession of 2008 brought bad news to Toyota that registered the first ever loss in its corporate history (1.5 billion U.S.\$) (Rajasekera, 2010). While automobile sales dropped everywhere, Toyota managed to increase its global market share, becoming the biggest auto maker in the world, a record that GM had hold for 77 years (Liker and Hoseus, 2008). Over a period of decades, the company built a worldwide reputation for manufacturing affordable quality automobiles over the mantra one car at a time (Ohno and Bodek, 1988) and became known for its method of continuous self-improvement (*kaizen* in Japanese) (Piotrowsky and Guyette, 2010). In synthesis, Toyota became the company for its competitors to emulate. However, in recent years Toyota's management team has expressed worries about the sustainability of its global growth (Toyoda, 2010). In fact, rapid expansion and technological change might have been too fast for Toyota to ensure control over product quality and, thus, safety.

From November 2009 through the first quarter of 2010, the total number of Toyota's recalls related to serious safety defects totaled around 8.6 million globally (Reputation Institute, 2010). During the first

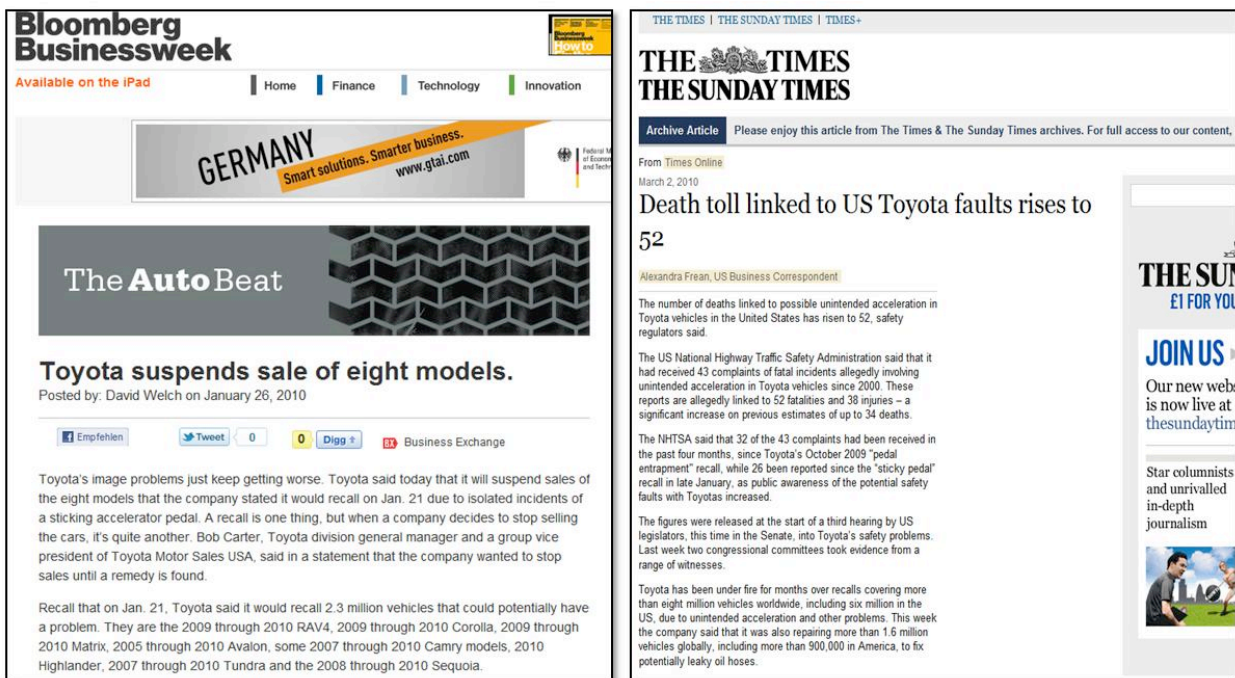
recall of 3.8 million vehicles in the month of September, Toyota issued a statement maintaining "no defect exists" in these vehicles (Reputation Institute, 2010).

Recalls are nothing new to the automotive industry, especially in the U.S. where the first recall law went into effect in 1966. According to U.S. government data (NHTSA, 2010), over a time span of about 40 years, 400 million motor vehicles have been recalled in the U.S. alone. Therefore, about 10 million vehicles are recalled on the average every year for various reasons (Rajasekera, 2010).

From a historical point of view, this was not only the most extensive recall in history but also the most buzzed case of all time. The volume of discussion in social media around Toyota was growing significantly and sentiment was trending extremely negatively (Kirchhoff and Randall Peterman, 2010; Isidore, 2010; Madslie, 2010). That was partially due to the fifty-two deaths connected to Toyota cars or trucks with defects causing sudden acceleration (CBS News, 2010). The main news catching the attention of media and authorities was the death of an off-duty California Highway Patrol officer and his family, caused by sudden acceleration of his Lexus. Another important reason driving the buzz was customers' anxiety to learn the causes of these failings. Toyota's Sales Vice President, Irv Miller, announced on January 21, 2010, that accelerator pedals might have "mechanically stuck in a partially depressed position". For that reason, after intense negotiations with the National Highway Traffic Safety Administration (NHTSA), he issued a "voluntary recall" of 2.3 million vehicles (Reputation Institute, 2010). In less than a week Toyota's stock registered a 13% drop, closing at \$79.770 and its January sales fell by 16% from a year earlier (Reputation Institute, 2010).

On February 23, 2010, as a result of the recalls, the NHTSA (Cole and Flynn, 2009), a regulatory agency charged with overseeing automotive safety defects and recalls, questioned Toyota's previous explanations about the cars' safety (Kanter et al, 2010; Bensinger and Vartabedian, 2009).

Figure 3 – Media coverage of the crisis

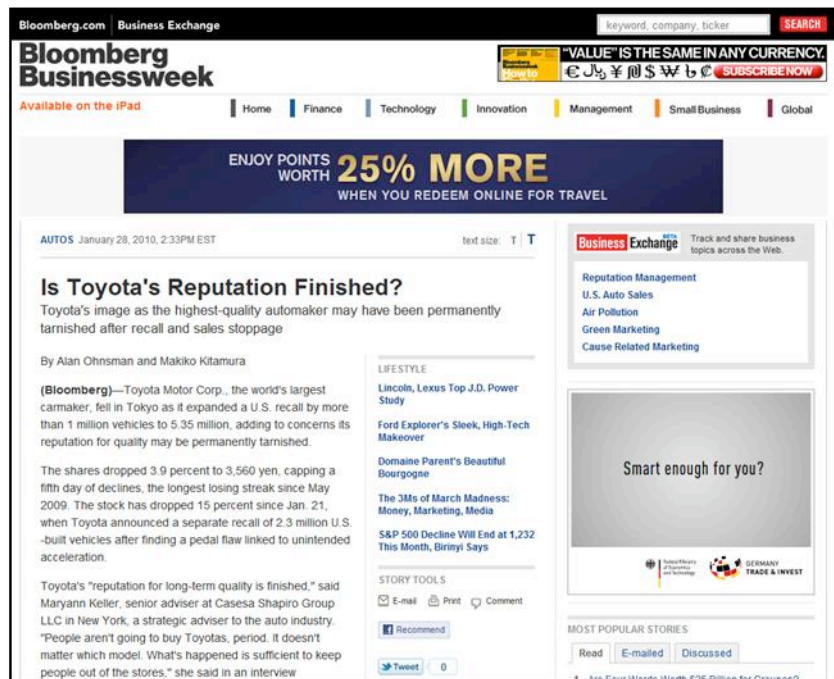


Source: BusinessWeek and Times Online

At the end of February, Toyota's U.S. market share also fell to 12.8%, whereas Ford and GM's February sales rose by 43% and 12% respectively due to the Toyota's crisis (Reputation Institute, 2010). Also, in February, Toyota sales slipped 8.7% (Toyota Motor, 2010) as the automaker struggled with models that couldn't sell until the accelerator pedals were fixed. This led to bad publicity about its recalls and pending congressional hearings. For the first time in 10 years, Toyota's sales sank below 100,000 units (yearly) and a stock value down 5.69% on the Tokyo Exchange (OICA, 2010b). Financial loss aside, the bigger shock for Toyota was the apparently unstoppable waves of recalls that accompanied a streak of emotional accidents (CBS News, 2010b). On 6 April 2010, The U.S. government sought a record penalty of U.S.\$ 16.375 million from Toyota for its delayed response in notifying the NHTSA regarding the defective accelerator pedals (CBS News, 2010). On 18 May 2010, Toyota paid the fine without an admission of wrongdoing (CNN, 2010). Meanwhile, several recalls gave Toyota Motor additional space on any kind of media. The last recall involved 1.7 million Lexus worldwide for faulty

parts, in late January, 2011 (Dawson and Takahashi, 2011). On February 8 2011, after 10 months search NASA and NHTSA inquiry revealed that there were no electronic faults in Toyota cars that would have caused acceleration issues (BusinessWeek, 2011). The report clearly explained that driver error or pedal misapplication was the reason for most of the incidents. The experts also claimed, "Our conclusion is Toyota's problems were mechanical, not electrical" (WSJ, 2011). In the middle of the crisis the most discussed question was "Is Toyota's Reputation Finished?" (e.g. Ohnsman and Kitamura, 2010). The question was spread around the world through traditional media and new media, and most of the experts claimed that Toyota's reputation was seriously damaged (e.g. Isidore, 2010). In this concern, it is interesting to explore how Toyota has managed communication during this crisis. But before that, it may be useful to analyze which options were available for Toyota to preempt the situation from getting out of control, harming the worldwide reputation it has built over the decades as a top quality automaker.

Figure 4 – Media framing



Source: Bloomberg BusinessWeek

6. Pre-Recall relationships

Many influential speakers have talked in the past on behalf of Toyota's products becoming brand ambassadors. For example, Warren Buffett stated just before the crisis that "companies with simple business models that are hard to replicate enjoy an enduring competitive advantage" (Bernasek, 2010). Also Kevin Roberts, CEO worldwide of the advertising agency Saatchi & Saatchi, and a very influential person in the communication field, wrote in his book "The Lovemark effect" about Toyota Prius: "The Prius is eloquently engineered and has been thought with remarkable care. Toyota hasn't missed the mark in a single area. I keep looking for the trade-off resulting from this car being a hybrid, and there just isn't any area in the design that's been shortchanged. It starts smoothly, drives smoothly, and *stops smoothly*. There's no downside." He also said about Lexus: "Now, 17 years on, the Lexus is clearly a Lovemark for many of its owners, and regarded as a benchmark for luxury in the American automotive market" (Roberts, 2006).

Reputation is the heart of any brand (de Chernatony, 1999). Many reports have designated Toyota as one of the most reputable brands in the world. Reputation Institute's Global Pulse report (2008), a survey measuring consumer perception of the world's largest corporations, ranked Toyota as the worldwide reputation leader in 2008. Toyota was the only automotive firm in the top tier of reputation

leaders (e.g. Volvo was in the 30th spot). In the following edition of the annual report, Toyota ranked 59th (Global Reputation Pulse, 2009). Toyota did not appear among the world's most reputable companies in 2010. According to the Reputation Institute, Toyota, together with Ford, Nissan, and Peugeot, had "average" reputations across the 24 markets surveyed (Global Reputation Pulse, 2010).

The report, "Global Fortune 500" (2008), ranked Toyota as one of the world's top 10 leading brands in 2008, based largely on its reputation for "reliability". As we know from literature, security is a fundamental driver for perceived high quality in the car industry, which is itself a vital asset contributing to a firm's brand equity and providing the basis for customers' reasons to buy (Grönross, 1994).

In a research entitled "ALG Spring 2010 PQS (Perceived Quality Study)", Toyota's Quality Score dropped by 20%, from 1st to 6th Place (Alg, 2010b). According to this report, consumers were becoming less enchanted with the Toyota brand already between the Spring and Fall of 2009, when Toyota's perceived quality had declined by 3% compared to the previous year (Alg, 2010b).

As a synthesis of this data, we can say that consumers' perceptions about the quality of cars made Toyota the world's most valuable automotive brand (with a peak in 2008), but it also became the driver of a more general change in its reputation, when brand promises (and consumers' expectations) started to be less satisfied by brand experience.

Since 2009 Toyota's image regarding the quality of its cars has started to drop, well before the so-called "accelerator crisis". These perceptions have had an influence on Toyota's reputation in the public, even though still in 2009 Fortune ranked Toyota in the 5th position for its ability to react in a downturn (Global Fortune 500, 2009) and in 2010 ALG credited the auto-maker with a 91% brand recognition (Alg, 2010).

Despite these recent image-related troubles, Toyota's enormous brand value is still recognized in 2010 by JD Power - Vehicle Dependability Study™ (VDS), which measures problems experienced by original owners of three-year-old (2007 model year) vehicles. In this report, the Japanese carmaker received four 1st place awards (JD Power, 2010) for its commitment to excellence - more than any other - for the Highlander, Prius, Sequoia and Tundra. Toyota positioning on quality and innovation is its strength. Inoue Masao, Toyota's chief engineer, explains the relationship consumers have with the brand. Talking about Toyota Prius, he recalls: "In 1997 the first Prius was launched. The Toyota management team took a risk with the early release of this hybrid technology. But by doing this we set ourselves apart from competitors. At the same time,

customers trusted us because of our history of making things right. They also developed an affectionate attitude towards the company for trying something difficult and complicated, which no other carmakers were trying" (Roberts, 2006).

As literature suggests, strong quality reputation contributes to brand equity (de Chernatony, 1999). With an estimated brand value of \$31.33 billion in 2009 (Interbrand, 2010), Toyota has been rated the most valuable automotive brand in the world (Consumer Reports, 2007). According to the brand consultancy agency Interbrand (2009), Toyota had established itself as a leader in dependability, reliability, safety, efficiency, innovation, longevity and sustainability through its pioneering hybrid engines. Meanwhile, in the most recent report (Interbrand, 2010), Toyota is the only automaker to lose brand value (-16%), with all other companies gaining some economic advantage in terms of equity. According to this report, Toyota still has the highest brand equity in the automotive sector, however, Interbrand suggests that despite the fact that its "brand architecture (almost exclusive focus on a single corporate brand) was previously one of [Toyota's] greatest advantages, it has become its biggest strategic problem". Because Toyota uses shared parts and technologies across multiple models, a technical hitch with one car also means problems with others. Still, historically, Toyota has been a resilient brand, and weathered the recession well (Interbrand, 2010).

Very significant is the data regarding the curve of reputation for Toyota in the first three months of 2010. It shows a deep decline just when the crisis explodes, but regain quickly its position after the company becomes more active in managing the crisis.

Figure 5 – Brand Equity in Car Industry (100 Global Brands)

Rank	Previous Rank	Brand	Country of Origin	Brand Value (\$m)	Change in Brand Value
11	8	 TOYOTA	Japan	26,192	-16%
12	12	 Mercedes-Benz	Germany	25,179	6%
15	15		Germany	22,322	3%
20	18	 HONDA	Japan	18,506	4%
50	49		United States	7,195	3%

53	55		Germany	6,892	6%
63	65		Germany	5,461	9%
65	69		South Korea	5,033	9%
72	74		Germany	4,404	4%
91	88		Italy	3,562	1%

Source: Best Global Brands 2010 – Interbrand Report (our elaboration)

With regards to the online social environment Toyota has been considered by the Engagement db (2009) ranking a highly engaged (active) brand in social media. In fact, it ranked 21st in the top 100 most engaged companies having an online

presence distributed on several social media channels (Facebook, LinkedIn, Forum, Blog, YouTube, Flickr and Twitter). In the study, Toyota is called a “Maven”, that is a brand operating on social media through a robust strategy and a dedicated team (Engagement db, 2009).

Figure 6 - Engagement db



Source: Adapted from engagement db (<http://engagementdb.com/>)

Though, if we adopt a less quantitative approach, Toyota’s presence in social media presents another picture. Despite the robust online brand presence, Toyota was often criticized in the past for its scarce attention to interaction and discussion processes amongst the target audience (e.g. Barrowclough, 2009). An example is Toyota's attempt to utilize

Social Media to engage and energize its Yaris brand. Toyota hired Saatchi & Saatchi agency to run a video competition among customers for a monetary prize. The social media campaign has seen the synergic use of a Facebook page, containing successful viral videos to inspire entrants, a YouTube channel and a Twitter profile.

Contrary to predictions, the social media strategy, aimed at co-creating the campaign with the consumers, did not receive a positive buzz (Malkin, 2010). The campaign failed to attract the potential target to such an extent that no entries were submitted. At this point, Saatchi & Saatchi decided to discard the idea of user-generated content (UGC) and attempted a desperate measure to increase the numbers of videos by sending out a call-to-action email to production companies (Murray, 2010). This marketing effort also resulted in an extremely small number of fans and followers joining the Facebook group and the Twitter profile of the company. These two channels were used very little during the competition by both consumers and the company, signaling a problem at the promotion (push strategy) level.

The winning video provoked a further negative groundswell featuring an innuendo-laden discussion about virginity. As experts underlined, Toyota was completely unaware of the comments being posted in the YouTube channel as they did not monitor and moderate the responses (Barrowclough, 2009).

7. Crisis event and crisis responsibility

Toyota's recall issue brought unprecedented media coverage around the world, becoming an increasing threat potentially affecting the entire company business (Brownsell, 2010a).

Figure 7 - Negative conversations

READER COMMENTS

Phil Davis
January 26, 2010 7:10 PM
After this maybe people will return to buying Ford, Chevy, and Dodge.

Daniel Butler
January 26, 2010 7:12 PM
I need to have my car checked out ASAP i just bought this Car for my Wife because its supposed to be safe. Its a 2007 Camry LE, i need a recall letter ASAP, this needs looked at quick because thats the only ride she has and she is expecting soon... please help me get a recall letter!!!

Big Boy
January 26, 2010 7:15 PM
yota product line is over rated junk.

Jim Rogers
January 26, 2010 7:20 PM
I have a 2010 Camry with 2700 miles on it.
If Toyota is suspending sales they must think them unsafe to drive. There is no comment on what current owners should do.
I would like to turn in my Camry and get something else. Maybe they should buy back the faulty vehicles??

Big Boy
January 26, 2010 7:21 PM
yota product line is over rated boring junk.

L Greco
January 26, 2010 7:25 PM
I purchased a 2007 CAMRY LE HYBRID 3 YRS AGO, NEW. IS THIS VEHICLE BEING RECALLED FOR POSSIBLE ACCELERATOR PEDAL DEFECT?
THANKS,

Source: Bloomberg BusinessWeek

Figure 7b - Negative conversations

Scott

January 26, 2010 9:11 PM

so what are we suppose to do? drive anyway? roll the dice? would toyota consider putting its customers into another car which isn't being recalled?
what should we do?

Parnelli Jones

January 26, 2010 10:08 PM

The Toyota emergency stop does not activate for 3 seconds. The stopping distance delay is the length of a football field at 60 mph. Toyota engineers give new meaning to "Driving While Asian." Some days it does not stop at all.

Timothy D. Naegele

January 26, 2010 10:16 PM

What Toyota has been doing is criminal!

See, e.g., <http://naegeleblog.wordpress.com/2010/01/04/toyota-and-lexus-vehicles-are-unsafe/>

BigDually

January 26, 2010 10:33 PM

C'Mon ... This isnt front page news? One mistep by GM/Ford/Chrysler and the drums are beating ... This is the way to handle it? After flubbing through the scandal, (and it is a scandal) in a manner more devious than John Edwards?

Madge Mckee

January 27, 2010 12:00 AM

I have a 2010 Camry, which needs a new gas paddle. It has stuck before.

When are they going to fix our cars?

Source: Bloomberg BusinessWeek

Figure 8 - Customers defending Toyota

Katy

January 27, 2010 12:22 PM

Name me and automaker who hasn't had a recall. I currently own a TOYOTA and haul 3 children. I love my TOYOTA and will own more in the future. With all the Americans in todays economy without jobs and with all the manufacturing companies toyota has in the US why would anyone want them to fail? Do the math if they fail look at all the American people that would be without a job or insurance. Makes more sense to succeed than fail all the way around

Airbusrider

January 27, 2010 12:28 PM

Consumer Reports uses surveys to rate cars. As far as I know, they do not use manufacturers warranty or repair data or disassemble the cars to review the engineering. If you want to stake a car's reputation on a survey, then go ahead. As for me, I'd rather talk to mechanics and see which cars are the most reliable and the easiest and least expensive to repair. One timing belt replacement (maintenance) in a Japanese car can pay for a lot of repairs on another brand.

Not An Engineer

January 27, 2010 12:54 PM

I am not an engineer but since some have complained that the runaway cars respond to the brakes by speeding up, is it possible that someone may have planted a ocomputer virus that is being filtered down into all the cars computers??? I know it sounds crazy but these are the times that we live in.

Source: Bloomberg BusinessWeek

The main reason for such a high buzz level can be found in the values contradiction the brand has fallen into. While in the past issuing voluntary recalls would have boosted the public's trust in a company - as was the case in Toyota's previous recalls (Liker, 2003) - the current issue presents different characteristics. The whole communication strategy of Toyota's brand has been meticulously created over several decades through a carefully planned strategy and public relations campaigns focused on values such as quality and safety (Liker and Hoseus, 2008). Thus, the defects dispute generated rather opposite associations in consumers' minds, leading to inconsistency with Toyota's original values (Brownsell, 2010b).

Another reason why Toyota received significant negative coverage in different media comes from the fact that the company was, in a way, forced by the U.S. government to recall its vehicles (Rajasekera, 2010). The large majority of press articles reported the forced-recall as a negative sign on Toyota's reputation (Madslie, 2010). Using this information, within the framework of our crisis management model, we can say that Toyota decided a *defensive* strategy.

But we know from the theory that if the relationships with your customers are somewhat problematic (and the data previously commented show at least a worsening picture), and if the gap between your *brand promise* and your *brand experience* tends to be significant (or better, tends to become more

Figure 9 - President Akio Toyoda publicly acknowledged

significant), you should be prepared to deal with an attribution of crisis responsibility and therefore urged to design a more active crisis management strategy.

We should consider also that in this crisis there was a critical cultural-political factor. American consumers (mainly non-Toyota customers) tended to express their negative feelings against Toyota, framed within a protectionist idea of how the American car market should work (against imports), with an emotionally appealing nuance of patriotic call to "buy American".

After many recall waves, one of the biggest challenges for Toyota was to maintain its public trust, demonstrating the good performance of its products. Toyota's main attributed responsibility for pedal defects was linked to a lack of attention toward customers' security. As a matter of fact, in the most recent part of its history years, Toyota's focus shifted toward growth and sales at the expense of product quality and safety, as reported in several press articles.

In reporting the Toyota recall case history it is important to call the attention on the fact that the company's strategy at a certain point (end of February 2010) changed. It shifted toward the so-called "accommodative" formula, which is based on a more active stance, taking responsibility for the crisis, and showing genuine willingness to solve the problem.



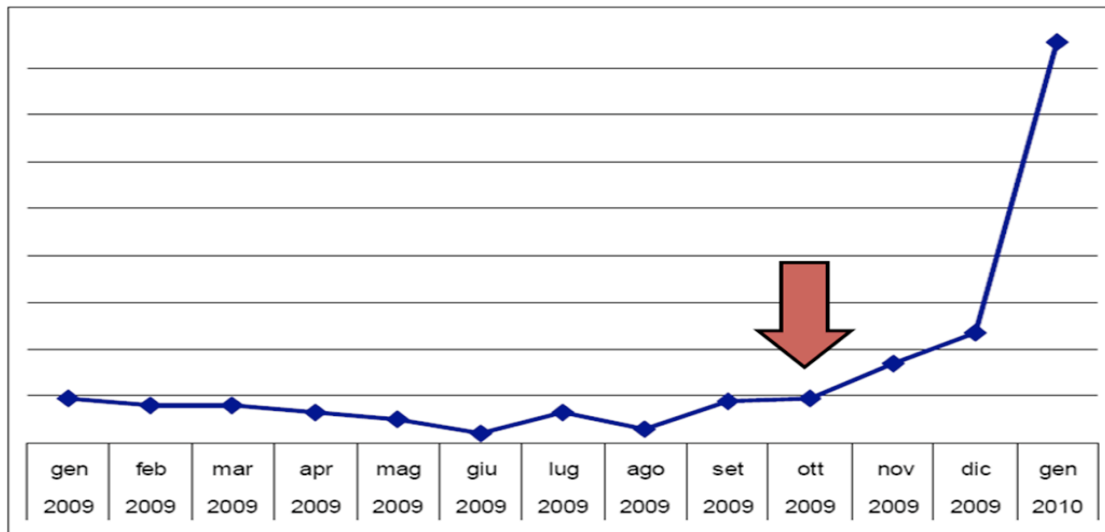
Source: Financial Time

As Toyota President Akio Toyoda publicly acknowledged on February 24th 2010, in recent times, the company's misguided strategic focus warped the "order of Toyota's traditional priorities" in the car industry (Cole, 2010). In particular Mr. Toyoda said: "[...] our customers have started to feel uncertain about the safety of Toyota's vehicles, and I take full responsibility for that. [...] Toyota has, for the past few years, been expanding its business rapidly. Quite frankly, I fear the pace at which we have grown may have been too quick. I would like to point out here that Toyota's priority has traditionally been the following: First; Safety, Second; Quality, and Third; Volume. These priorities became confused, and we were not able to stop, think, and make improvements as much as we were able to before, and our basic stance to listen to customers' voices to make better products has weakened somewhat. [...] Since last June, when I first took office, I have personally placed the highest priority on improving quality over quantity, and I have

shared that direction with our stakeholders. When recall decisions are made, a step will be added in the process to ensure that management will make a responsible decision from the perspective of "customer safety first." To do that, we will devise a system in which customers' voices around the world will reach our management in a timely manner, and also a system in which each region will be able to make decisions as necessary" (Toyoda, 2010). One of the fundamental questions raised by the marketers was whether or not a punctual monitoring of the online conversations could have foreseen the imminent crisis.

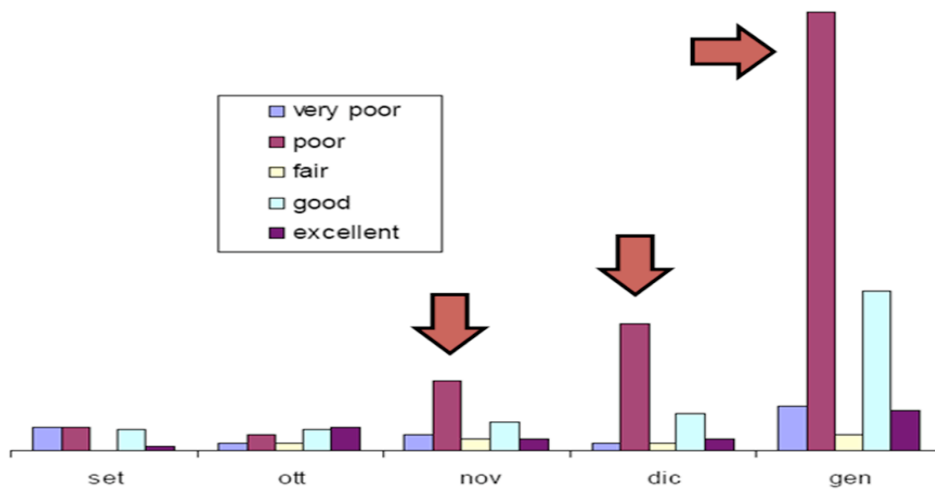
Research has shown the quantity of comments (delivered in blogs, forums and social networks) concerning Toyota's gas pedal increased between January 2009 and January 2010 (Cogito Monitor, 2010).

Figure 10 – Sentiments regarding the gas pedal



Source: Toyota: How to win Back Your Customers (Cogito Monitor, 2010)

Figure 11 – Sentiments regarding the gas pedal



Source: Toyota: How to win Back Your Customers (Cogito Monitor, 2010)

In particular, there was a sizable increase in the number of opinions expressed, as well as a higher frequency in gas pedal discussions during the October - November 2009 timeframe. As traditional media started covering the Toyota recall story worldwide, the online media saw a growing number of conversations on the topic, switching consumers' attention from one recall to another.

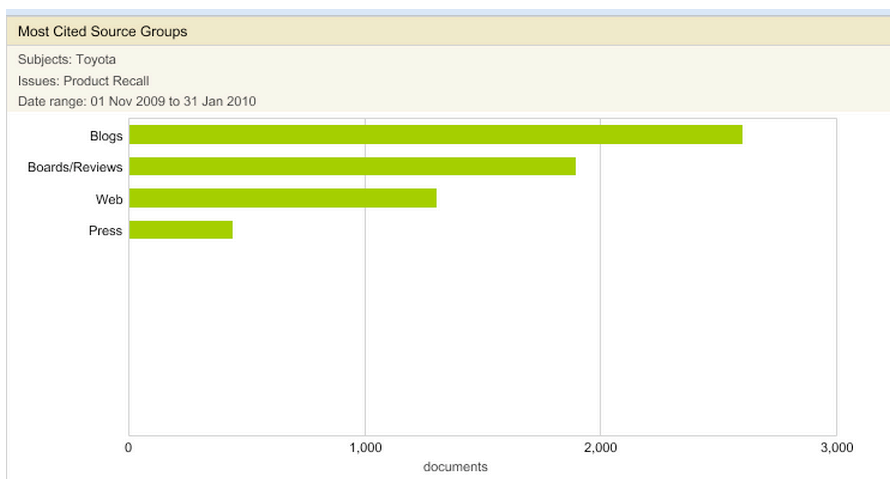
The first tweets about the automaker's acceleration issue appeared toward the end of 2009, when Toyota recalled more than 4 million cars to fix and replace accelerator pedals (Bush, 2010).

The listening platform Radian6 reports that on January 22, 2010, the day after the recall, the buzz within the social web skyrocketed. The number of posts about Toyota went from less than 100 to over

3,200, having a peak four days later, with the stop-sale announcement. In this case, online chatter shot from about 500 posts in the morning to more than 3,000 by afternoon (Matherne, 2010).

According to Dow Jones Insight, the large majority of coverage on Toyota's recalls appeared in social media between November 1, 2009, and January 31, 2010. In particular, during that time frame 2,592 blogs posts in the U.S. were added, followed by 1,879 board discussions, 1,290 online articles and 443 press articles (Schoenbohm, 2010). In the same period, the newspapers reported the news 1102 times, and newswires and press releases 986 times (our primary analysis of data from LexisNexis).

Figure 12 - Most Cited Source Groups in Toyota's Crisis (from Nov.1, 2009 to Jan. 31, 2010)

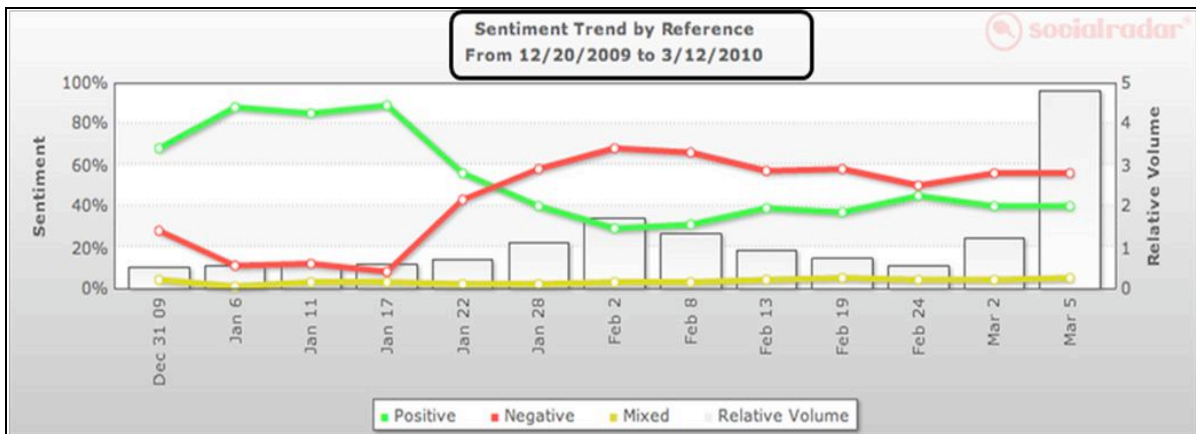


Source: Schoenbohm (2010) - Data from Dow Jones Insight (Total mentions: 1969)

In February 2010, as a new story about the Toyota Recall emerged, there were over 5,000 articles published online mentioning the issue (O'Leary Analytics, 2010). Within four months, the number of raw posts has quadrupled, establishing a record of nearly 120,000 brand mentions in a single day (Social Radar, 2010). Furthermore, a deeper analysis provided further insight on which social networking sites, blogs and boards discussed the recalls more often (Schoenbohm, 2010). By looking at the classification of buzz, it appeared clear that Twitter was catching the larger traffic portion, generating a huge amount of negative buzz about

Toyota. A study by the social media analyst Webtrends measured that 60% (Chowney, 2010) of all online mentions of Toyota were negative during the first week of February (Brownsell, 2010a). Also, the keywords 'recall', 'pedal' and 'fix' were most frequently associated with the brand. In addition, the influx of negative messages has increased about 30% after-media coverage of the crisis, in comparison with the conversations sentiments about Toyota before this extensive coverage (Social Radar, 2010). However, the negative sentiment began to show a distinct decline from February 2nd on.

Figure 13 - Sentiment Trend for Toyota



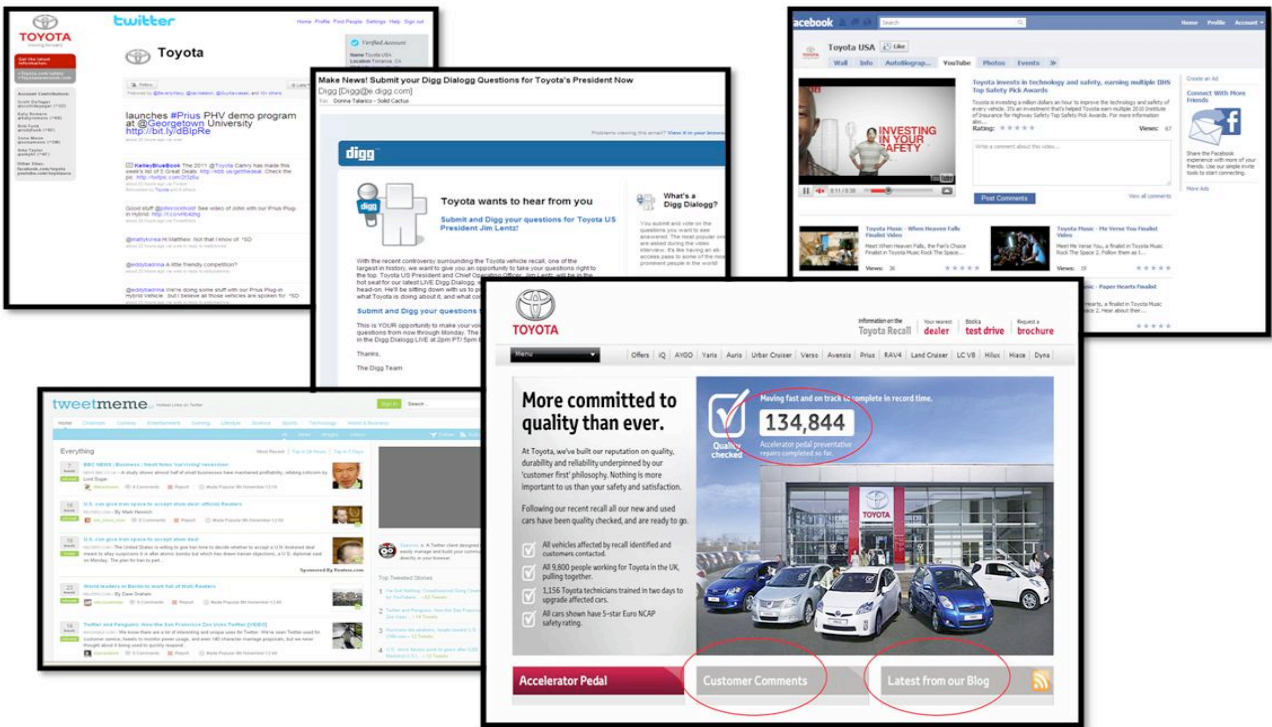
Source: Social Radar (2010)

8. Toyota's crisis response strategies in social media

As soon as the recall crisis started to be covered by media, Toyota quickly put together an "online newsroom" and a "social media response team" to coordinate its communication process. Media releases and other communications from different company departments, like public relations and customer care, were centralized. Toyota's response

team was able to be so aggressive and effective on social media because it timely created a social-media response room (around Feb. 1, 2010) (Rao, 2010). Social media experts, between six to eight people, were located in Los Angeles to monitor online conversations (including the relevant viral phenomena), their tone and trends, and to respond timely to questions

Figure 14 – Social Media Integrated Campaign



Mr. Doug Frisbie, National Social Media and Marketing Integration Manager at Toyota USA, said his team's priority was to listen the customers' voice. In fact, in his opinion, listening is the "primary tenet of good social-media strategy". He also said that, "There's been a wide range of concerns given the coverage this [crisis] has received, so we're just trying to address all of them across all our platforms." According to him, social media is a critical element in the communication-mix of channels. How a company may "respond and react to those [social-media] conversations really has become perhaps the most important platform for dealing with a crisis like this" said Mr. Frisbie (Bush, 2010).

During the second phase of the recall crisis (after February 2010), Toyota became particularly engaged internally and externally in the following channels: Microsite, Brand Communities, Digg,

Facebook, YouTube, Twitter, TwitterMeMe and RSS Feed.

8.1 Toyota Conversations

The Toyota Conversations website (<http://toyotaconversations.com/>), powered by Tweetmeme (<http://tweetmeme.com/>), is meant to be a dialogue around all the popular links mentioning Toyota on Twitter. The aim of this tool is to centralize conversations around Toyota by determining which links are most popular, and then categorizing and filtering these links into various sessions (Most Recent, Top in 24-Hours, and Top in 7-Days). In this way, it is easier for the user to filter out the noise and find real-time Toyota information that interests him or her, readily available on the Web. Toyota contributors are actively engaged in the comments section to inform and respond to consumers (Rao, 2010).

Figure 15 – Toyota Conversations powered by Tweetmeme

The screenshot displays the 'Toyota Conversations' website, powered by Tweetmeme. The main content area shows a list of tweets with their respective sources and engagement metrics. The sidebar on the left includes a 'Channels' section with 'TOYOTA Conversations' highlighted, and a 'Toyota Responds' section with official Toyota statements. The website has a clean, modern design with a navigation bar at the top and a search function.

The importance of the listening phase in a communication process can also be defined in Denise Morrissey's words. As the head of the Toyota social media team, she commented about the Toyota online strategy in response to a blog post in this way: "We consider Toyota Conversations to be natural extensions of our efforts to not only provide information about the recalls but to also listen". Also, "we've launched *Toyota Conversations* as both a listening post and as an opportunity for interested consumers to continue those conversations. Far from being "noise", we believe this is a great opportunity for folks to read stories about the recall in one place – at this point, it's probably the best compendium of recall-related news stories available. And, in addition, there are a multitude of links which point readers to more information in case they have further questions" (Borde, 2010).

The Toyota Conversations website allows positive and less flattering posts from Twitter recall conversations to be shared and made public. This kind of listening platform is helping Toyota to stay informed and in tune with what is being said and shared about the crisis. As many experts point out, transparency is a key factor for succeeding to crisis management issues. Using social media tools to aggregate honest conversations (and frustrations) helped Toyota's brand to recover faster over time (Meghan, 2010). Toyota used some of the Tweetmeme's latest tools, including the *Featured*

Tweets to deliver the latest news directly from Toyota's press room, and *AdTweets*, i.e. retweetable video advertisement. The sidebar is fully customized with all the relevant news and information for Toyota customers. If you leave a comment on this website, it is immediately notified as comments on Twitter and is "retweetable" and linked to Toyota's Twitter account.

The main advantage of Toyota Conversations is the possibility to open conversations with influential bloggers and the social web at large. Several bloggers (e.g. Lawrence, 2010) pointed out that Toyota failed to engage with their brand ambassadors, at least in the first phase of recall. Brand enthusiasts can be used in web 2.0 environment to defend the brand in online communities (Mandelli, Accoto and Mari, 2010). Toyota has approached online brand loyalists in an uncommon way, for example, asking them if they could report their tweets, blog posts and videos on their own platforms.

As Doug Frisbie claimed: "We have proactively reached out to those creating some higher-volume conversations online. [...] we are creating a series of video interviews with customers, associates at our plants and some dealership personnel to tell those stories proactively on our YouTube channel and other outlets. They provide that frontline perspective and an authentic response to some of the issues we are facing right now" (Bush, 2010).

This approach to storytelling in social media is consistent with what Mandelli (2010) calls the new type of brand control in markets conceived as mediated-conversations.

8.2 Brand Communities

Along with the first relevant recall, there were a significant number of discussions taking place in independent community forums such as toyotaownersclub.com, forumtoyota.com and toyotanation.com. These forums were created by Toyota enthusiasts and are spaces where the users participate in discussions regarding the company's products, post and share videos of their brand experiences. Although these can be seen as very proactive and effective tools to get involved in a direct dialog with consumers (Mandelli, 2004), Toyota preferred not to connect to these forums, but only monitor them (Bush, 2010). That decision was probably due to the informal and independent nature of these user-owned communities. In fact, formal participation by Toyota could have been seen as an intrusion of the company in private discussions (though other brand community active strategies were proved successful, see Mandelli, 2004).

8.3 Micro site

The first Toyota move was to create an informational Micro site providing the customers with all the recall news. This tool includes many web 2.0 functionalities such as a customer comments section to boost dialog among parties and reassuring stakeholders that recall is under control. The recall page at toyota.com (www.toyota.com/recall) is designed to emphasize Toyota's ability in responding effectively to the recall crisis. In this respect, a live update counter has been included within the micro site to highlight the speed at which the carmaker is fixing the accelerator pedals. In addition, a timeline highlights important milestones during the problem solving process.

The new website (<http://pressroom.toyota.com/pr/tms/default.aspx>) also contains a *newsroom*, set up to provide information for both consumers and media.

8.4 Digg

Digg is a very popular social news website that recently created a new space called Digg Dialogg (<http://tv.digg.com/diggdialogg/>) where users can submit questions to a preselected famous individual who agrees to be interviewed. Toyota Motor Sales USA president and chief operating officer Jim Lentz decided to answer in a live-stream interview to the top 10 questions (only four of those dealt with recall or safety issues) voted by Diggers from more than 1,400 submissions. That was the first time a corporate executive had been featured on this website. During the Lentz live-stream interview on February 8, Toyota was not allowed to choose canned questions or otherwise shape the conversation. According to the experts, this was a brilliant action being the video the most popular "Dialogg" appearance to date, generating more than 1 million views in the first week. This approach allowed Toyota to engage its customer base and apologize publicly to them for the car defects.

8.5 Facebook

There are four official Facebook pages. Each of them considerably increased its fan base in January. This result convinced several social media experts that the crisis had not impacted on Toyota's reputation among its customers (Bush, 2010). However users might have decided to connect with Toyota in their most familiar channel just to keep track of company updates via their Facebook News Feed (and the only way to do it was to become fan of the page). Therefore, we cannot take the number of Facebook fans as a proxy of Toyota reputation performance.

Searching on Facebook, you can find a substantial number of unofficial fan pages (approx. 200). There are about 50 official pages related to Toyota's products made by local dealers from several countries. By February 2011, the Toyota's official page "Toyota USA" has 337.000 likes (an increase of 100.000 fans from September 2010). The unofficial page against Toyota called "Toyota, Moving Forward. Even if you push the breaks" has 73,058 Likes (stable from September 2010).

Toyota has recently created a Facebook applications (API) named "Auto-Biography" that invites users to tell their Toyota's story through a video or a comment. Another section of the Facebook official page is dedicated to Toyota YouTube channel, which is perfectly integrated within the former.

8.6 YouTube

YouTube was used extensively by Toyota in the recall period. A considerable number of videos detailing the faults with the foot pedals offered an explanation to customers' questions. Turner (2010) claimed that: "Utilizing videos broadens transparency to include practical advice delivered where the reported problem could be shown, or shown how to identify and guidance on how to deal with it or what steps to take."

Toyota customers ultimately want to know 'is Toyota safe to drive?'. In order to answer this question, the YouTube channel provided interviews with Toyota's key managers who offered their explanations related to the recall topic. In September 2010, the channel had over 1650 channel comments and more than 5.000.000 total videos views.

8.7 Twitter

The social media response team, together with Jim Lentz, participated in Twitter chats. The company became more active on its Twitter feed (@Toyota) after the January 21 recall announcement.

One of the hottest topics concerning the recall issue was the announcement of Steve Wozniak, co-founder of Apple, who on February 1 claimed 'software-related acceleration problem' with his Prius. According to him, this problem caused the car to go wild under certain conditions when cruise control is engaged. He aggressively commented on social media websites: "This is software. It's not a bad accelerator pedal. It's very scary, but luckily for me I can hit the brakes". Being that the comment was delivered by an influential person, the diffusion power of the message was even stronger than average on social media. One of the main problems Toyota faced on Twitter came from the objective difficulties of keeping track of the huge number of user comments. Without an aggregation platform, operating on several channels would have been impossible to answer consumers' questions effectively.

In September 2010, the main Toyota account in Twitter had 28,000 followers (increased 8,000 by February 2011) and was following 19000 users (stable number) showing the attention towards its public. This account is primarily used for customer service support and sales promotions. On the personal account of the team members operating on Twitter there is a note that says: "The views/options

express on this page are not necessarily those of Toyota".

9. The two phases of Toyota crisis response strategy

The expression "Going Toyota" has become a derisive adjective in the minds of many Americans as an effect of the crisis. As an example, this term is being often used to describe iPhone 4.0 troubles related to antenna defects that the customers of Apple's customers are experiencing (Paglia, 2010). Apparently, Toyota recall has been followed by bad publicity in all media. Of the 108 Wall Street Journal articles mentioning Toyota during February 2010, 106 were negative (Mittal, Sambandam and Dholakia, 2010). Business journalists and experts have been pessimistic about Toyota recovering possibilities at the beginning of the crisis. Many of them pointed out that the hearings and the resultant lawsuits could severely damage the Japanese carmaker in many ways. In the face of mounting political and media attacks, management consultants and experts expressed reservations regarding the ability of Toyota's management to meet the "psychological" challenge (Mittal, Sambandam and Dholakia, 2010).

During the first phase of the crisis Toyota received criticism also from the majority of social media experts. Some of them argued that Toyota failed to utilize its social media channels at the early stages of the recall process. They adopted a defensive strategy, aimed at downgrading the relevance of the crisis and not taking responsibility. In this first period (till half of February 2010) Toyota has experienced brand erosion (Elliott, 2010) and a decreased in sales of 16% (Bunkley, 2010) in one month (January 2010).

Toyota communication at the beginning used mainly the company's website and traditional media such as TV, Radio and Print; social media communication was marginal (Lawrence, 2010). Toyota has been accused to fail in responding quickly to blog posts, tweets and Facebook wall-messages. Late response from the CEO Toyoda after his refusal to testify before receiving a formal and ultimate request was perceived as a non-transparent attitude by the general public and even the proof that Toyota was guilty.

It has even been said that Toyoda was perfectly aware of the sudden acceleration problem since 2000, when it was first publicly recognized and

caused a limited recall for 10,000 Lexus vehicles sold in England (Singh, 2010).

Journalistic comments about Toyota's inability to efficiently deal with sudden acceleration defects earlier, also reminded that the implementation of a contingency plan could have avoided much of the scrutiny and the problems Toyota faced later (Rao, 2010).

Some of this criticism also continued when the company (in what we call second phase) became more active. Bloggers and experts found unnatural the tone in which the most relevant stories (called "top stories") were aggregated on the Toyota Conversations website. The general sentiment appeared more positive than average on Toyota platforms. As TechCruch and other thematic websites noted, the feed looked mostly positive, signaling that they might have been displaying the more "friendlier ones." Someone argued that Tweetmeme channels can be set up to pick up only certain news sources and Toyota organize it in its favor. Of course, Toyota cannot control what people say about it on blogs or Twitter, but might have provided a better outlet to steer the conversation.

In response to this accusation, Mr. Frisbie said: "We're just trying to provide relevant information.[...] we're not trying to guide it or steer it in one way or another; we're just trying to answer questions our customers may have. Rather than it being our side, it's our customer's point of view".

As it has been extensively repeated in the blogosphere, global markets require global responses. That means the communication strategy should have been aligned in every market. One important point is that Toyota understood that the crisis could have also had a cultural-political basis, and therefore decided to delegate crisis communication to a primary crisis response team located in the United States. Later Toyota gave the same freedom to react to each country communication team, at the global level (Gattiger, 2010).

During the first phase a large majority of articles about Toyota considered its reputation in serious troubles. One of the first posts going in the opposite direction was the one by Jeffrey Liker (2010) which appeared on Business Week and is entitled "Toyota's Lost Its Quality Edge? Not So Fast". As also others explained, there was little evidence that the company's overall standards were slipping and so was its reputation (Driving Today, 2010). This more positive media coverage was more frequent

after the first half of February 2010, also paralleling the increased activism of Toyota in social media, and its more transparent and customer-based approach to crisis response.

Confirming this more optimistic trend, a survey reported in Mittal, Sambandam and Dholakia (2010) conducted between February 20 and March 2, 2010, indicates that already in February consumers' perceptions (particularly Toyota owners' perceptions) about Toyota were restarting to be positive. Toyota customers have been crucial during the entire crisis for their role in defending the company's reputation and values.

10. Effectiveness of the crisis management strategy

The media landscape has changed considerably in recent times. The power of social media as a direct communication tool can be observed by the amount of messages about Toyota circulated on the Internet compared to the ones on traditional media. If we consider only social media, blogs and boards together, the results show that they generated 158% more coverage compared to traditional media channels (Schoenbohm, 2010).

As Catharine P. Taylor (2010) writes about Toyota's PR campaign: "[...] given the rise of social media, jumping into a conversation when it's most against you is perhaps the only way that a major company can appropriately handle PR these days."

The belief that this situation could turn into an advantage for Toyota is clear in Mr. Frisbie's words: "We certainly have learned a ton, and those leanings, like creating a social-media-response team and opening multiple platforms where we can communicate directly with customers, will be part of our strategy going forward. And, eventually, those things will give us an advantage."

In terms of tangible results, Toyota has grown its Facebook fan base more than 10% since late January (Bush, 2010). However, all the other major U.S. brands had also been adding fans to their Facebook page as well. Thus, we cannot really link changes in number of fans to the recall (Baccus, 2010).

More importantly, we can consider very positively the large amount of customers who have spoken up in Toyota's defense in online conversations.

During the Toyota recall, a number of studies have been conducted to assess Toyota's customers' perceptions and attitudes. Here a synthesis.

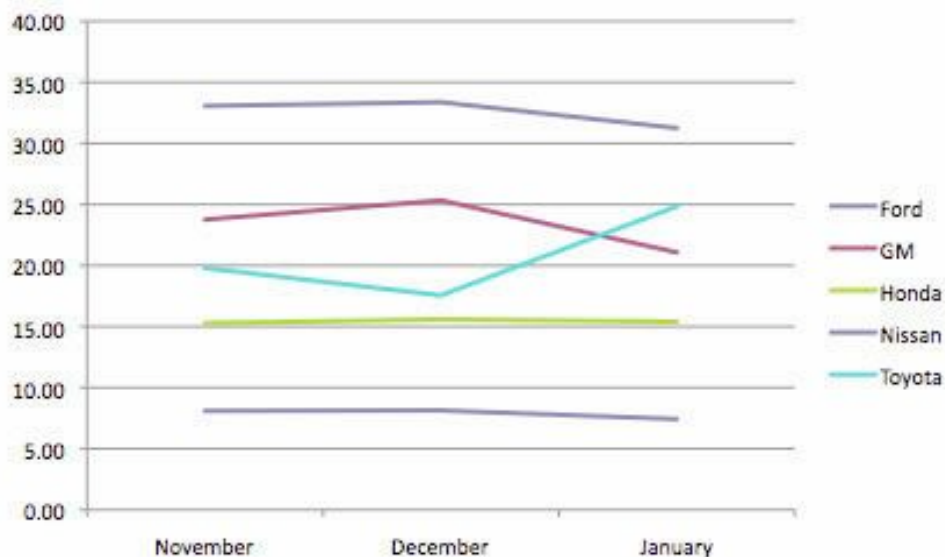
TV broadcaster CBS News (2010) conducted a survey in the U.S., following Mr. Toyoda's testimony, where the public did not rate Toyota's explanation very positively. Only 27% of respondents believed that Toyota was telling the truth while almost 50% said Toyota was hiding something.

Customer trust is a major factor for building reputation. From a study conducted in March 2010 by America's Research Group in the U.S., it emerged that the number of consumers with positive perception of Toyota's commitment in providing quality cars fell to 21.8% in March 2010, down 58.2 percentage points compared to 80.0% registered in 2008 (Marketing Profs, 2010). Toyota discovered through a commissioned survey that 30% of U.S. customers agreed with the sentence: "Having a recall on their current vehicle would make them seriously consider not buying that automotive brand again" (O'Leary Analytics, 2010). On February 22,

USA/Gallup national survey reported that 31% of respondents now believe Toyota vehicles are unsafe (Singh, 2010).

There are two new online standard metrics are often used for evaluating brand equity in social media: Social Influence Marketing (SIM) and Net Promoter Score (NPS). The SIM Score attempt to measure a brand's health on the social web and is determined by calculating the total market share of consumer conversations for the brand, it includes a measure of reach (volume) and of likability (sentiment), combining them to give the indexed score relative to a brand's direct competitors. The data can be sourced using any major monitoring platform. By using Radian6 (one of the most diffused software in the market) it appears that from November 2009 to January 2010 the Toyota SIM Score decreased from 19.8 to 17.56, with a considerable increase in February (24.84) (Singh, 2010). According to the study, in February 2010 Toyota's SIM Score increased at the expense of Nissan and General Motors.

Figure 16 – Social Influence Marketing (SIM) – From Nov. 2009 to Jan. 2010



Source: Matherne (2010)

As practitioners argued, the reasons for the high Toyota score can be found in an increased number of conversations about Toyota that finally produced a greater brand awareness (even though many of the mentions may be negative). In their opinion, people talked more about Toyota than any other brand at that time, and not only about the recalls,

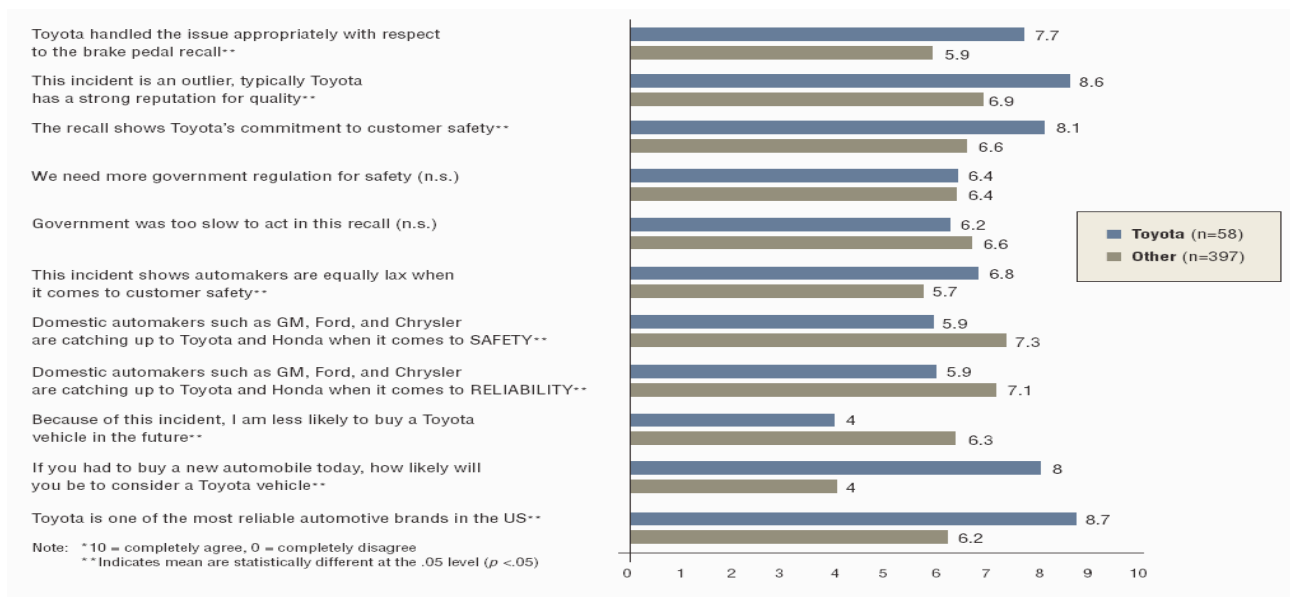
but also the fixes being provided by the dealerships (Klaassen, 2009).

Net Promoter Score is a measure of consumer advocacy and is a proven predictor of business growth (e.g. Klaassen, 2009). It asks one question: "How likely is it that you would recommend our company to a friend or colleague?" (calculated from

the % promoters - % detractors). In August 2010, after the recall crisis peak, the consultancy company Engaged Marketing computed the NPS ranking in the automotive industry, discovering that Subaru was the first *advocated* brand with 35%, followed by Honda 19% and Toyota 13% (PRLog, 2010). Another study was conducted by Vikas Mittal, Rajan Sambandam, and Utpal M. Dholakia (2010) and published on Harvard Business Review Blog. The survey was based on a sample of 455 U.S. vehicle owners, interviewed between February

20 and March 2, 2010. Although the cross-sectional survey can only compare users of the target brand to users of competitive brands, with such a design, researchers measured the change in satisfaction and brand perceptions that occurred due to the recall. Among the national panel of respondents a total of 58 Toyota owners (13%) and 397 owners of other brands (87%) completed the survey (Mittal, Sambandam and Dholakia, 2010b). The percentages match the proportion of Toyota to non-Toyota drivers in the United States.

Figure 17 – Agreement with recall-related items



Source: Mittal, Sambandam and Dholakia (2010)

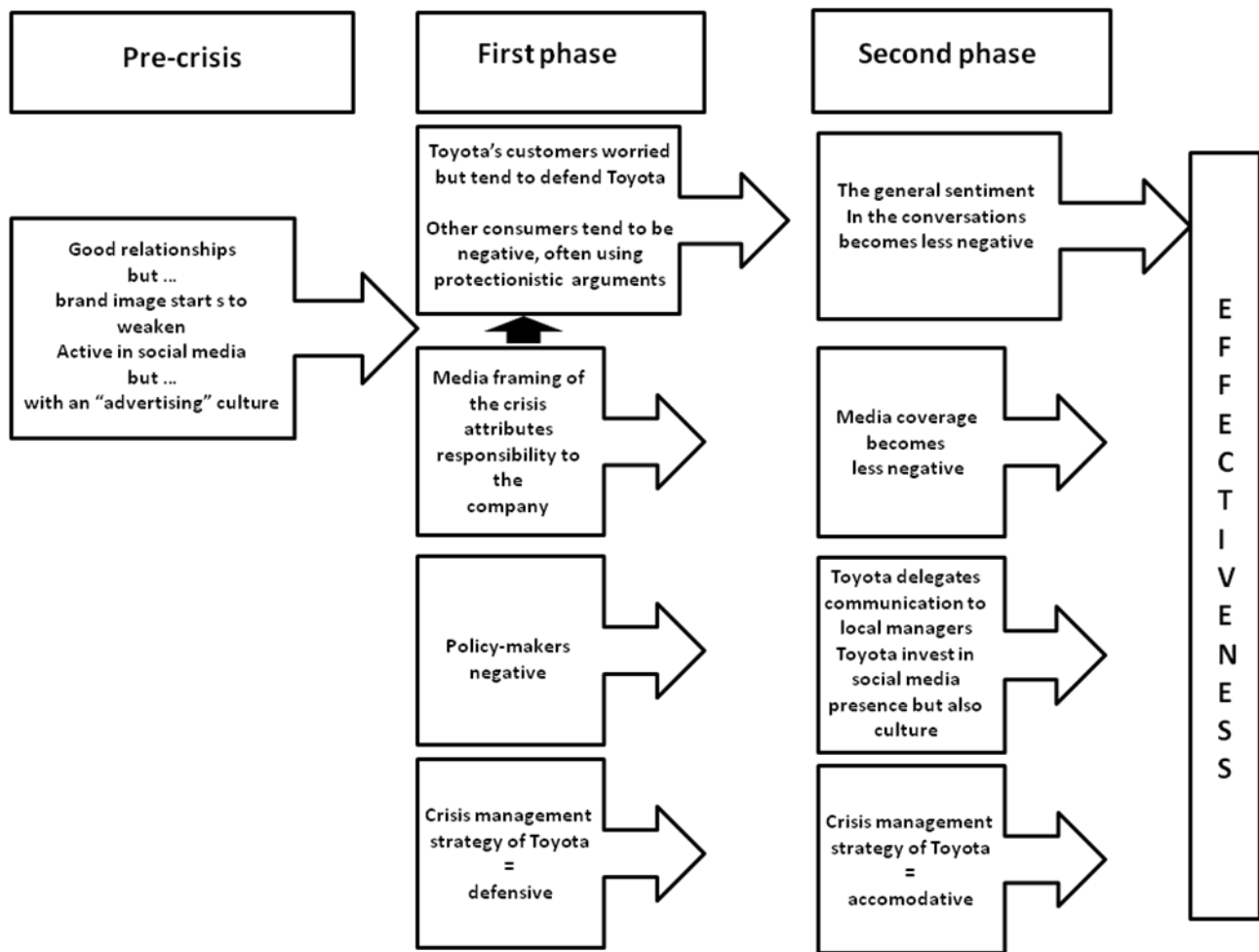
The following items have been investigated in the study (scale from 1 to 10), finding that Toyota owners were:

- An Equal or even a greater number, were satisfied with their vehicle compared to owners of competitive brands. In particular, they were more satisfied with brakes and safety than non-Toyota owners;
- Respondents perceived their car as one of the most reliable, compared to owners of other brands. Also, Toyota owners said that Japanese automotive brands were superior to U.S. brands with respect to reliability and safety variables;
- The likelihood to repurchase a Toyota in the future was higher than the equivalent

- repurchase likelihood among owners of other brands (M = 8.0 vs. M = 4.0);
- Respondents were more positive about the company than owners of other automotive brands.

These not-so dramatically negative results for Toyota after such a radical recall crisis may indicate that Toyota's response strategy has worked but also that Toyota could rely on brand equity resources. Toyota's denial of the crisis at the beginning might have exacerbated consumers' criticism and negative media coverage. After February, the company's more pro-active role, their activism in social media, and a more favorable media coverage of the issue, might have changed the general tone of the public opinion.

Figure 18 - Effectiveness of the crisis management strategy



From the research findings, it appears that Toyota might also have been experiencing a "brand insulation effect". Thanks to the high level of customer's satisfaction it is possible that during a crisis, positive perceptions and attitudes stable (Mittal, Sambandam and Dholakia, 2010b). In addition, it has been demonstrated in previous research that customers with a high level of brand loyalty may become considerably insensitive to negative information about the brand, i.e. brand forgiveness (Fincham, 2000).

11. Actual situation

On October 21, exactly when Toyota safety problems seemed to be over, they flared up all over again. The automaker recalled 1.5 million more vehicles (Thomas and Krisher, 2010). The majority of recalled cars were in the U.S. (740,000) and Japan (599,000). Jean-Pierre Dube, a marketing professor at the University of Chicago, commented the news by saying that: "This is starting to look more like a chronic problem for them [Toyota]. [...]"

it's hard to imagine this can't have some effect on how consumers are going to perceive the Toyota brand and to what extent it represents reliability" (Thomas and Krisher, 2010).

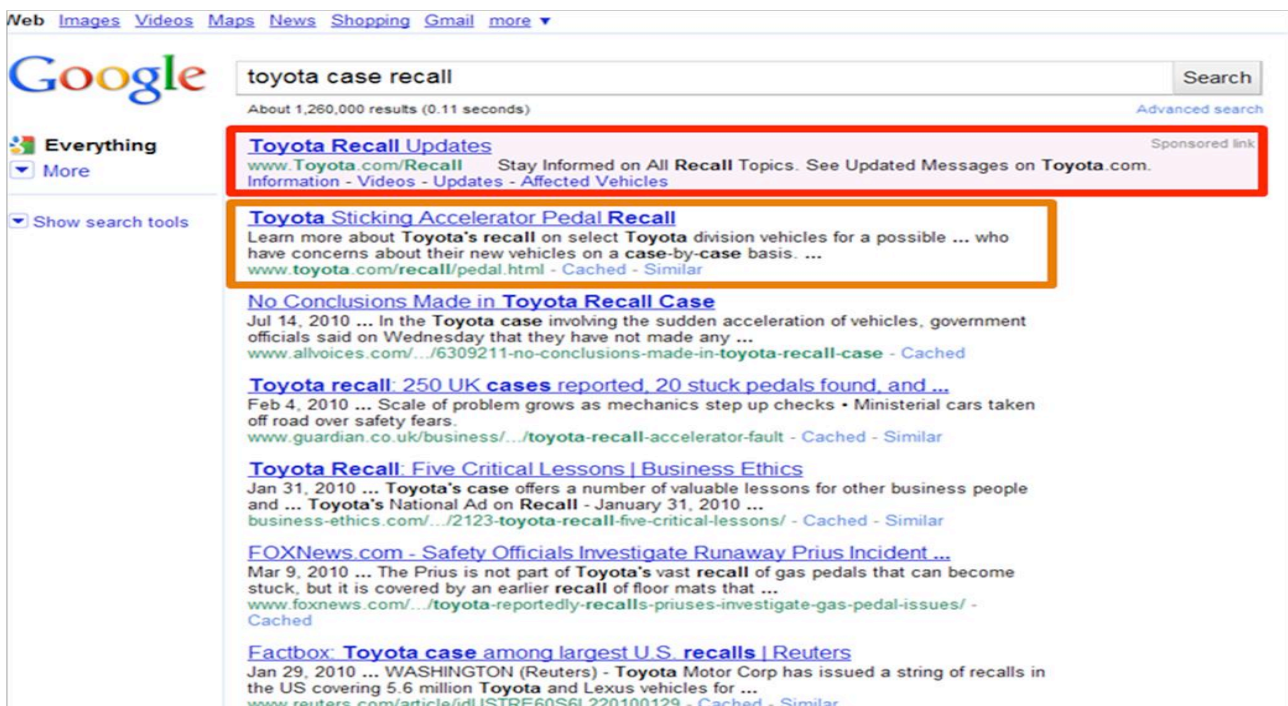
Toyota's marketers have been accused of communicating too little and too late in traditional media (PRsa, 2010). However, it must be recognized that they built up a good dialog system and learned to grow their presence in all relevant social media channels. It is important to remind that before the recall Toyota was an active player in social media but with an advertising kind of culture (hierarchical and campaign-based); it did not seem immersed in the new participatory culture. After, however, social media have become a central resource in Toyota's communication strategy (in terms of investments and competence building) (Bush, 2010). Besides the successful social media presence, it seems there is a relevant economic investment in search engine optimization (SEO) and search engine marketing (SEM), to ensure that

customer searching for key words such as “Toyota recall, pedal, accelerator” arrive at Toyota’s explanation of events, for telling stakeholders its side of the story. The high-performance Toyota presence on the web can be observed by looking at the organic results on major search engines.

After a year since the first big recall, if you search for the keyword “Toyota recall” on Google, one of the sponsored link in paid results is the Toyota

website which is linked to the micro site aimed at providing useful updated information of the recall issue. Both paid and organic search results have been used to reinforce the perception that the brand is reputable (Fox, 2010). According to numerous studies, if a brand appears in both paid and organic results it receives more clicks than if either appeared alone (92 percent of clicks compared to 60 percent) (Icrossing, 2010).

Figure 19 - Organic and paid results on Google.com



A very strategic point of Toyota’s plan is that the micro site now does not provide only information strictly related to the recall problem, such as a list of vehicle involved or safety related information, but also commercials and online brochures. In particular, a large number of safety-related

commercials provide an interesting point of reflection for the customer who suddenly loses his information necessity focus. Thus, Toyota turned the recall website and all the other social media channel in powerful promotional tools.

Figure 20 – Toyota Recall Micro Site: From Crisis to Promotion

The screenshot displays the Toyota Recall Micro Site interface. At the top, there is a navigation bar with the Toyota logo and the slogan "moving forward". The navigation menu includes "CARS", "TRUCKS", "SUVs & VAN", "HYBRIDS", "BUILD YOUR TOYOTA", and "FIND A DEALER". A search bar is located on the right. Below the navigation bar, there is a grid of vehicle models with their respective starting prices and estimated mpg. The models shown are RAV4, FJ CRUISER, HIGHLANDER, 4RUNNER, SEQUOIA, LAND CRUISER, and SIENNA. Below the grid, there are several sections: "Read what these respected news sources are reporting about us:" with an "In The News" button; "Is your vehicle involved?" with a list of recalled vehicles; "Safety First" TV Commercial with images of various safety features; "See how Toyota's safety features work." with a "Learn More" link; "Toyota USA Newsroom" with a "Statement in Response to Filing of Multidistrict Litigation Class Action Complaint"; and "Lexus Vehicles: Lexus Announces Intent to Voluntarily Recall Certain LX 470 Vehicles to".

In other words, Toyota made a considerable effort in repositioning the word “recall” associated to “safety” instead than to “risk”, insisting on the idea that safety value comes first and that recall was made because they really cared about customers.

The recall crisis underlines the importance of online communication for consumers. In the first recall waves, Toyota communication was fragmented and information was not homogeneous. Through a learn/act approach Toyota figured out the best way to create consumer brand dialogue.

Mr. Toyoda said at a recent conference, “I believe we are making strong progress delivering on our commitments. Our entire company has mobilized to ensure that Toyota vehicles remain safe and reliable.” And, “We’re still in a storm — there’s been no change on that front. [...] but from the storm, we’ve begun to see glimpses of sunny but faraway skies,” he said. “I feel that we’re starting to approach safer waters” (Tabuchi and Maynard, 2010).

Despite being mired in recalls and inquiries into its safety record, Toyota roared back to a profit in the fiscal year, announcing that new car sales rose 15.4% year on year in March 2010 (Bailey and Woodall, 2010). Meanwhile, for the first nine months of 2010, Toyota sales were up 1.4 percent (Thomas and Krisher, 2010b). It’s important to notice here,

that recent (September 2010) Toyota sales were boosted by \$2,100 per car incentive, up from about \$1,500 a year ago (Thomas and Krisher, 2010). The aggressive incentive program includes zero percent financing for up to 60 months on some models, cash back rebates, and a free two-year premium maintenance program (Reputation Institute, 2010). Toyota had a particularly strong performance in the last three months with a profit of 112 billion yen (\$1.2 billion), in contrast to a 766 billion yen loss the year before, when car sales slumped in the middle of the global financial crisis (CBS News, 2010b).

In synthesis, Toyota estimated that its profit would rise to \$3.34 billion in the year that will end in March 2011, while expecting to sell 7.29 million units (53,000 more than it sold this year) (Tabuchi, 2010).

Although it is extremely difficult to connect the effects of the social media campaign with the increase in sales (Lewis, 2010), according to our case analysis it is reasonable to state that Toyota's reputation is far from death.

12. Conclusions

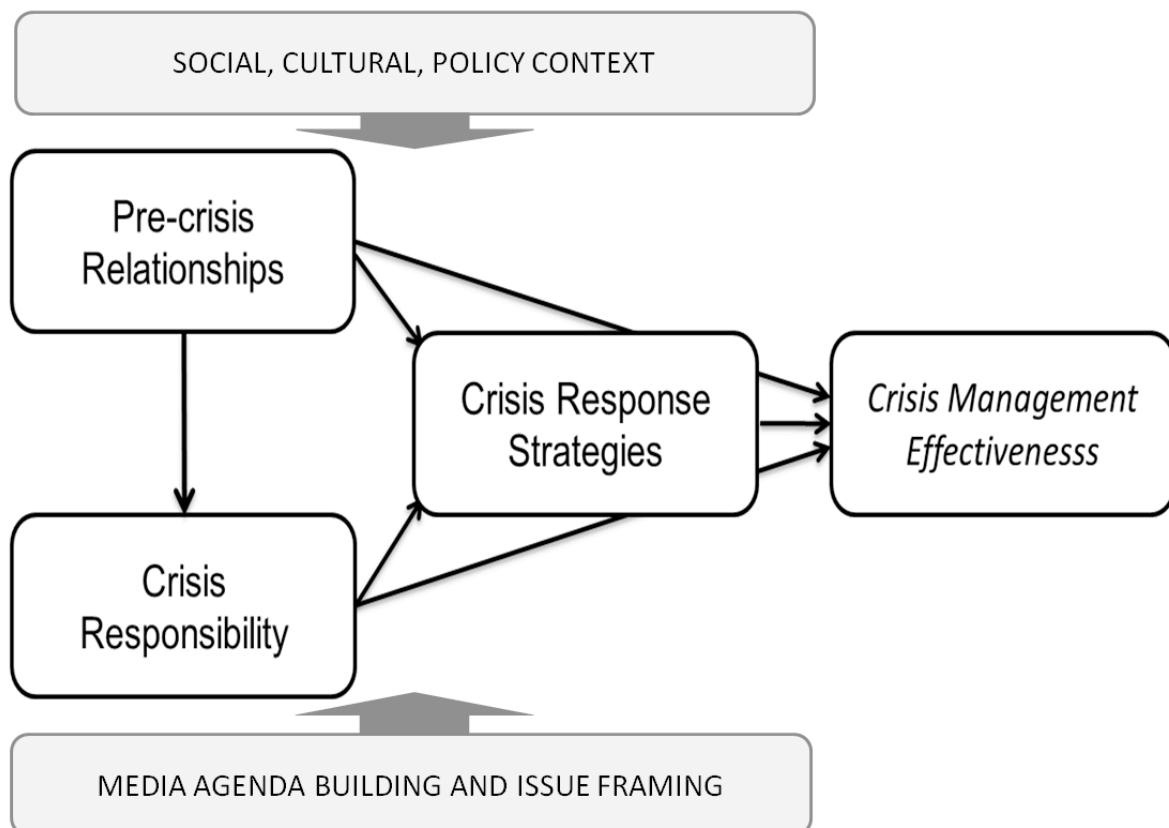
Our case analysis provides useful insights into the understanding of how the complex process of reputation building and protection works. Case

analyses do not provide generalizable findings, but useful suggestions on where to look for further insights or how to refine a more structured and general model of social and business reality. Through our case we were able to explore the complex interlink between social media conversations and reputation change processes, also considering the impact of pre-crisis relationships on the effectiveness of crisis response strategies. With regard to this last model we found that a useful variation of the model adopted for the analysis suggest the inclusion of the impact of media communication role and the cultural-political context in the process. This case study has also offered important lessons for brand and reputation management. Social media can be the crucial communication channel (or better practice and culture) just when the crisis hits. But it is important that managers learn how to integrate them strategically into the overall communication

strategy, understanding the complex interlink between social media conversations, media coverage and corporate communication in the process of brand image and reputation building. They also need to consider the state of their pre-crisis relationships when deciding whether to develop a more defensive or a more accommodative strategy, besides evaluating the nature of the issue concerned.

This case shows that an exclusive use of the conversations' monitoring tools cannot capture the complexity of the information needed for supporting decisions. Conversations have a relational and situation-related context, and in order to evaluate stakeholders' perceptions and attitudes, we need to go beyond these limitations and try to focus on the individual level and macro-level outcome of psychological and communication processes.

Figure 21 – The modified model of crisis management



Source: Adapted from Wong and Hung (2008)

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