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FOREWORD

The Annual Conference of the EuroMed Academy of Business aims to provide a unique international forum to facilitate the exchange of cutting-edge information through multidisciplinary presentations on examining and building new theory and business models for success through management innovation.

It is acknowledged that the conference has established itself as one of the major conferences of its kind in the EuroMed region, in terms of size, quality of content, and standing of attendees. Many of the papers presented contribute significantly to the business knowledge base.

The conference attracts hundreds of leading scholars from leading universities and principal executives and politicians from all over the world with the participation or intervention of Presidents, Prime Ministers, Ministers, Company CEOs, Presidents of Chambers, and other leading figures.

This year the conference attracted about 200 people from over 35 different countries. Academics, practitioners, researchers and Doctoral students throughout the world submitted original papers for conference presentation and for publication in this Book.

All papers and abstracts were double blind reviewed. The result of these efforts produced empirical, conceptual and methodological papers and abstracts involving all functional areas of business.
ACKNOWLEDGEMENT

Many people and organizations are responsible for the successful outcome of the 11th Annual Conference of the EuroMed Academy of Business. Special thanks go to the Conference Co-Chairs Prof. Vincent Cassar and Prof. Frank Bezzina and the University of Malta, for accomplishing an excellent job.

It is acknowledged that a successful conference could not be possible without the special co-operation and care of the Track Chairs and Reviewers for reviewing the many papers that were submitted to this conference. Special thanks to the Session Chairs and Paper Discussants for taking the extra time to make this conference a real success.

The last but not the least important acknowledgment goes to all those who submitted and presented their work at the conference. Their valuable research has highly contributed to the continuous success of the conference.
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Research Advancements in National and Global Business Theory and Practice

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THE INTEGRATIVE MODEL OF ONLINE RELATIONSHIP QUALITY

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ABSTRACT

Previous studies examined relationship quality and its determinants and dimensions within specific contexts, thus creating a highly fragmented view on relationship quality. This study synthetized these fragments and suggests an overall model of online relationship quality to be used as a foundation for future research regardless of the industry, type of the organisation, market segment or country. The integrative model of online relationship quality was developed highlighting all the previously validated determinates and dimensions of this debated concept and listing all possible moderators that can influence relationship quality in any type of online contexts. Besides providing an integrative base for academic researchers in the domain of relationship quality, this study offers an online relationship quality matrix for business practitioners. This matrix highlights the main connections between determinants and dimensions of online relationship quality along with the relative strength of these connections, so managers can see clearly the links between antecedents and outcomes, which can assist them building sharper customer relationship strategies for online interactions.

Keywords: Relationship quality, online relationship quality, satisfaction, commitment, trust, relationship characteristics, website characteristics.

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INTRODUCTION

In today’s fast-paced and highly competitive environment, where customers are looking for instant satisfaction and have prompt access to vast number of alternative sellers online, businesses are increasingly dependent on strong relationships with their customers to achieve success (Morgan and Hunt 1994). The recent evolution of information and communication technologies empowered not only customers, but also enabled companies to offer their services and sell their products online providing
them with a significant competitive advantage over others operating only offline. This online ‘revolution’ created more opportunities for dynamic interaction between the company and its customers, furthermore, it has contributed greatly to reduce the complexity of the transaction and created the possibility for increased level of customisation and sophisticated personalisation (Asgari Hamid, Asgari and Mousavipour, 2012). The link between online relationship quality and customer loyalty, the ultimate marketing goal (Kotler, Armstrong, Harris and Piercy, 2013), has never been so clear (Walsh, Hennig-Thurau, Sassenber and Bornemann, 2009).

There is substantial literature (e.g. Athanasopoulou, 2009; Brun at al., 2014, 2016; Carr, 2006; Hennig-Thurau and Klee, 1997; Vieira et al., 2008) on how companies can strengthen their customer relations i.e. enhance the relationship quality both in online and in traditional contexts. However, the available literature is critically fragmented. Not only there is no consensus on the definition of what relationship quality means, and what are its main building blocks, but there is also a fierce disagreement on what are the main factors that shapes it. Athanasopoulou (2009) suggests that this strong disagreement is rooted in the fact that relationships quality is highly context specific. This means that a specific environment changes the factors that influence relationship quality, and the relative impact of the determinants is perceived differently in different an industry, organizational environment, culture or in a specific market segment. Thus, Athanasopoulou (2009) recommends that for academics, “the nature of online relationships needs further studying in order to create an established framework for future research in this very complex field” (p. 604) and Vieira, et al. (2008) and Woo and Ennew (2004) add that in order make progress one must first accept a general view of the concept. Following these recommendations, this study conceptualizes an integrative model for online relationship quality based on the synthesis of the available but highly fragmented literature. This model is suggested as a foundation for future research, as it accumulates all the validated determinants and dimensions of online relationship quality, and it also incorporates all the possible moderators. Thus, it can be a very useful starting point to build on regardless of the specific context studied.

RELATIONSHIP QUALITY

The concept of relationship quality has been studied since the 1990s, however there is still no consensus among the academics about its conceptualization. Relationship quality is considered as one of the pillars of relationship marketing (Gummesson, 2002; Hennig-Thurau, Langer and Hansen, 2001) and, it has gained considerable importance as a measure of successful business relationships (Palmatier et al., 2006).

Relationship quality reflects the nature of the relationship between the company and its customers (Hennig-Thurau et al., 2002; Smith, 1998). Relationship quality, as per Crosby et al. (1990), means “that
the customer is able to rely on the salesperson’s integrity and has confidence in the salesperson’s future performance because the level of past performance has been consistently satisfactory’ (p. 70). Kim and Cha (2002) argue that relationship quality refers to the customers’ perceptions and evaluations of the service provided, communication and conduct of the company’s representative. For Liu, Li and Zhang (2010), relationship quality is the extent of the parties’ willingness to pursue common interests, mutual understanding, reciprocity, loyalty and long-term cooperation. According to Keating, Rugimbana and Quazi (2003), relationship quality corresponds to the quality of the interactions between the parties (company and its customers), and is viewed as accumulated value of the interactions. Crosby et al. (1990) refers to relationship quality as a complex and multidimensional construct, as it is can be understood as the total value of a relationship reflecting all the different phases, which it passes through (Palmatier et al., 2006).

By reviewing all the above definitions and descriptions of relationship quality, it can be clearly seen, there is no consensus regarding the definition of this concept. According to Hennig-Thurau (2000), one of the possible reasons for this is that there are several different types of relationships in various markets that can be studied and drawn conclusions from. However, the authors do not agree on the definition of relationship quality, all of them stress that there are many benefits associated with this concept, namely loyalty, collaboration, operational improvement, safety and business continuity (Akrout, 2014).

**Dimensions of Relationship Quality**

Relationship quality is a debated concept, it manifests not only in the lack of consensus regarding its conceptualization, but also, regarding the definition of the dimensions that build it (Hennig-Thurau et al., 2002; Huntley, 2006). For example, according to Dwyer et al. (1987), Crosby et al. (1990), Moorman et al. (1992) as well as Wray, Palmer and Bejou (1994), trust and satisfaction are the main domains of relationship quality. While, Woo and Ennew (2004) and Song, Su and Liu (2012) argue that cooperation and the environment are the most relevant aspects of relationship quality. Similarly, Rauyruen and Miller (2007) establish that trust, commitment and satisfaction are the key facades and add also the quality of service, but Dorsch et al. (1998) suggest that besides trust, commitment, satisfaction, the essential additions are: customer orientation, minimal opportunism and ethical profile. Also, Smith (1998), Hennig-Thurau et al. (2002), Ndubisi (2014) and Lai (2014) propose that trust, commitment and satisfaction are the main pillars of relationship quality. While, Tsai and Hung (2016) exclude commitment and satisfaction and argue that the main dimensions of this concept should only be based on trust, that flow from cooperation, adaptation and communication.

Based on the disagreement above, it can be concluded that the considered dimensions of relationship quality are diverse and in essence quite different. Woo and Ennew (2004) reasons that it is because there are various definitions of relationship quality, which lead to inconsistency in theorizing regarding the
constructs that build it. These authors also advocate that the nature of the dimensions of relationship quality depends on the specific contexts that the relationship is studied, and the different contexts provide different set of constructs.

Despite of the fact that the list of constructs is grouped in a different way, there seems to be a set of dimensions that majority of the studies consider as building blocks of relationship quality: trust, commitment and satisfaction (Athanasopoulou, 2009; Vieira et al., 2008). Building on this notion, this study accepts the relevance and foundational nature of trust, commitment and satisfaction in studying relationship quality, and builds its research on this basis (Table 1).

<table>
<thead>
<tr>
<th>Authors</th>
<th>Dimensions of Relationship Quality</th>
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<tr>
<td>Dorsh et al. (1998)</td>
<td>Trust, Satisfaction, Commitment, Customer orientation, Minimal opportunism, Ethical conduct</td>
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<tr>
<td>Dwyer et al. (1987), Crosby et al. (1990), Moorman et al. (1992), Wray et al. (1994)</td>
<td>Trust, Satisfaction, Commitment</td>
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<tr>
<td>Woo and Ennew (2004), Song et al. (2012)</td>
<td>Cooperation, Environment</td>
</tr>
<tr>
<td>Tsai and Hung (2016)</td>
<td>Trust</td>
</tr>
<tr>
<td>Rauyruen and Miller (2007)</td>
<td>Trust, Satisfaction, Commitment, Service quality</td>
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</table>

Table 1 - Relationship Quality Dimensions

**Trust**

Trust is generally considered as a fundamental element to develop and maintain long-term relationships (Crosby et al., 1990; Dwyer et al., 1987; Palmatier et al., 2006). Trust is critical in a variety of relationships, whether interpersonal or inter-institutional, and is an essential factor in determining relationship quality (Yu and Chen, 2014).

According to Bart, Shankar, Sultan and Urban (2005), trust requires the willingness of one of the actors in the relationship to accept vulnerability and dependence on the other side, with the expectation that
they can achieve a particular goal. Aurier and Lanauze (2012) define trust as the belief that the other party will behave in such a way that expectations will be exceeded, interests will be met, and this pattern will be maintained in the long run.

The concept of trust encompasses three other important dimensions: honesty, benevolence (the belief that the other party in the relationship will show benevolence in his actions) and competence (the belief that the other actor will be competent to act in favour of the relationship) (Fynes, Búrca and Voss, 2005; Moorman et al., 1992; Vidal, 2012).

**Commitment**

Moorman et al. (1992) consider that commitment is essential to maintain a relationship, and it is a key factor in pursuing a successful outcome. Dwyer et al. (1987), in line with Palmatier (2008) and Bobot (2011), propose that the essence of the commitment is the adoption of a long-term orientation that accepts to make short-term sacrifices for long-term benefits. Hennig-Thurau and Klee (1997) describe this concept of commitment as a long-term customer orientation adopted on an on-going basis, and grounded in an emotional bond and the belief that remaining in the relationship would produce greater net benefits than ending it. Roberts et al. (2003) considers that compromise is the main dimension that distinguishes successful relationships from failures, since it is through the compromise that the parties solve the problems of the relationship. Compromise is when one party in the relationship is willing to make extra effort and sacrifice certain personal benefits to maintain the relationship. Thus, committed stakeholders are the most tolerant towards each other (Sun, 2010).

**Satisfaction**

This dimension of relationship quality represents the emotional perspective of the relationship (Palmatier et al., 2006) and, according to Akrout (2014), it cannot “function” in the absence of the remaining dimensions (trust and commitment) in building loyalty and lasting relationship (Bettencourt, 1997).

The conceptualization of satisfaction has been widely and fiercely discussed (Hennig-Thurau et al., 2002), but generally refers to the post-purchase process and it is based on the consumers’ evaluation of the performance of the acquired product/service. For Crosby et al. (1990) and Dwyer et al. (1987) this concept represents a positive affective/emotional evaluation based on the overall assessment of the performance of the other party in the relationship. So, satisfaction can be described as the sum of the positive and negative outcomes of the relationship. Roberts, Varki and Brodie (2003) stresses the cognitive aspect of this concept, arguing that satisfaction is a cognitive assessment, based on the personal experience of each of the parties regarding all the events occurred in the relationship. So, the relevance of satisfaction within the framework of relationship quality is based on the notion that it offers a summary assessment of past interactions between the parties, and this summary projects expectations...
for the future interactions; thus, in total, it provides a general evaluation of the relationship (Crosby et al., 1990; Roberts et al., 2003).

Determinants of Relationship Quality

Vieira et al. (2008) proposed a conceptual model of relationship quality based on their review of relationship quality literature. The conceptual model displays four determinant factors (antecedents) of relationship quality: mutual goals, communication, domain expertise, and relational value, as deemed the most important but “additional determinants may need to be included in order to cope with the context specificity of relationship quality” (p. 280).

The concept of mutual goals was originally defined by Wilson (1995) as the degree to which parties share goals that can only be achieved through joint action and maintenance of the relationship. The existence of goal congruity offers the right conditions for both parties to benefit from participating in a relationship (McQuiston, 2001). This concept of mutual goals prompts the development of trust and, consequently, increases satisfaction with the relationship (Vieira et al., 2008).

Communication is next factor driving relationship quality. It has been considered the most basic activity during the exchange relationship, and essential to establish interaction between the parties involved (Williams et al. 1990). Effective communication enhances trust, and so, plays a crucial role in influencing relationship quality (Crosby et al., 1990; Lagace, Dahlstrom and Gassenheimer, 1991; Morgan and Hunt 1994; Parsons, 2002).

Other most commonly used driver of relationship quality is the salesperson’s domain expertise (Crosby et al. 1990; Lagace et al. 1991; Parsons 2002). It is defined as the customer’s perception of the salesperson’s level of technical knowledge and his ability to demonstrate such knowledge (Crosby et al., 1990; Parsons, 2002). Empirical research has shown that knowledgeable salespeople are more likely to engender trust in their customers and more effectively meet customer needs, which suggests that expertise influences relationship quality (Parsons, 2002).

Finally, relational value is also another key element in determining relationship quality. Relational value refers to the party’s expected net benefits from a relationship (Dwyer et al., 1987), balancing relational benefits and sacrifices (Gronroos, 2000). According to Hennig-Thurau et al. (2002) and Morgan and Hunt (1994), the parties stay in relationships as long as there are expectations of receiving the promised benefits, which are not only economical but also social benefits (Hennig-Thurau et al., 2002). Empirical work confirms that relationship-specific investment leads to greater commitment (Palmatier et al. 2007).

Links Between the Determinants and the Dimensions of Relationship Quality

The below matrix displays the specific links between the determinants (antecedents) and the dimensions of relationship quality (Table 2), providing a snap-shot view of what dimensions of the relationship can each influencing factor improve. These interconnections, while provide valuable insight for academia,
give a very practical guideline for practitioners on how to enhance and in some cases recover relationship quality with customers.

<table>
<thead>
<tr>
<th>Determinants of Relationship Quality*</th>
<th>Dimensions of Relationship Quality</th>
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<tbody>
<tr>
<td>Mutual Goals</td>
<td>Trust P+</td>
</tr>
<tr>
<td>Communication</td>
<td>Satisfaction P-</td>
</tr>
<tr>
<td>Domain Expertise</td>
<td>Commitment</td>
</tr>
<tr>
<td>Relational Value</td>
<td>P</td>
</tr>
</tbody>
</table>

* positive (P), strongly positive (P+), slightly or indirectly positive (P-)

Table 2 - Influence of the determinants (antecedents) of relationship quality on the dimensions of relationship quality in the traditional (face-to-face) setting

ONLINE RELATIONSHIP QUALITY

Online relationship quality is an integrative and multidimensional concept just as relationship quality in the offline context (Brun, Rajaobelina and Ricard, 2014). Asgari et al. (2012) also conceptualise online relationship quality in the same way as offline relationship quality, however, Vieira et al. (2008) argue that the determinants of online relationship quality are fewer than that in the offline context, comprising of communication, transactional and relational functions only. The communication function refers to the interactions between the online company and its customer. This function has a prominent role in the online context due to the recent technological advancements, as it created more opportunities for customer-company contact (Asgari et al., 2012). From transactional point of view, Asgari et al. (2012) suggest that several factors influence relationship quality from the accessibility, security and design of the website, through the content available on the website, to the complexity of the purchase. While the relational function encompasses online service quality and the level of personalise ability of the website (Asgari et al., 2012). Taking these research findings into consideration, online and offline relationships are quite distinct, mainly due to physical distance and the different media used, however, the main principles of relationship marketing, in particular, relationship quality, can and should be taken and applied from the offline to online context (Ching and Ellis, 2006).

Dimensions of Online Relationship Quality

Just as in offline context, online relationship quality is also comprised of several dimensions (Asgari, et al., 2012; Rafiq et al., 2013). While, Asgari, et al. (2012) suggest that online relationship quality consists of only online satisfaction (e-satisfaction) and trust (e-trust), Walsh et al. (2009), Rafiq et al. (2013), Aggarwal and Bhardwaj (2016) as well as Vize, Coughlan, Keneedy and Ellis-Chadwick (2016) argue
that the dimensions of relationship quality match in both online and offline environments, namely, trust, commitment and satisfaction. Walsh et al. (2009), clarify this contradiction by suggesting that the difference between online and offline relationship quality, their relevance and impact is rooted in the fact that the interaction between the customer and the company’s representative happens in two different environments.

**E-trust**

E-trust is described as the level of trust and conviction that a customer has regarding the success of the online purchase (Ribbink, Riel, Liljander and Streukens, 2004). E-trust is a particularly relevant dimension of relationship quality in the online context, where customers increasingly rely on the Internet for information and purchase, and online contact increasingly contributes to customer loyalty (Shankar, Smith and Rangaswamy, 2003).

According to Bart, et al. (2005), trust in the offline context differs considerably from trust in the online context, as the latter relies solely on the online website through the use of technology. However, these authors also suggest that the interaction between a customer and a website is similar to the personal interaction in a physical store, as trust is developed based on the interaction with the company representative in the former case and with website in the online setting. Also, similarly to the offline environment, e-trust is established based on a set of customer perceptions compared to customer expectations about the website. Alike Bart, et al. (2005), Mukherjee and Nath (2007) also consider the concept of trust being different in the two different environments, and point out several aspects justifying this difference, e.g., the absence of human contact; the physical distance between the actors (customer and seller) and between the customer and the product. Li, Jiang and Wu (2014) too supports that this dimension of relationship quality is more relevant in the online environment than offline, as consumers perceive more inherent risks in online purchase, and associate these risks with the lack of physical contact with both the product(s) and the seller(s).

Brun et al., (2014) conceptualize online trust based on the three dimensions of competence (the individual’s perception of the partner’s skills and abilities), integrity (the belief that the trusted party adheres to accepted rules of conduct, such as honesty and keeping promises) and benevolence (seeking joint gains and being concerned about the other’s welfare).

**E-commitment**

E-commitment has not been considered as relevant in the online setting as it has been for the offline context (Brun et al., 2016), however, Chung and Shin (2010) highlight the importance of e-commitment in both environments.

Ching and Ellis (2006) also support the relevance of e-commitment in the online settings by arguing that online customers are less likely to develop loyalty to the company or the brand due to the high
Commitment represents “the consumer’s psychological attachment toward the online service provider, along with his/her willingness to maintain the customer-firm relationship” (Liang and Chen, 2009, p. 222). In the offline context, commitment is conceptualized as having three dimensions: affective, calculative and normative, while majority of the studies examining online settings usually focus only on the first two (Brun et al., 2014). However, to ensure the full complexity of commitment in online relationship quality, the three dimensions of affective commitment, normative commitment and calculative (or continuance) commitment should be taken into account (Brun et al., 2014). Affective commitment represents the psychological bond that emerges from favourable feelings toward a firm (Gruen et al., 2000), and develops because the consumer identifies with the company and likes the company’s web site (Meyer and Hers covitch, 2001). Calculative commitment results from a rational and economic calculation (Meyer and Herscovitch, 2001), like it may be difficult for customers to stop using a company’s web site because, for example, they have invested heavily in its use or there are no better alternatives available (Brun et al., 2014). Normative commitment is demonstrated through behaviours rising from a sense of obligation (Gruen et al., 2000), like customers may feel an obligation to continue using a company’s web site because of the benefits previously received (Brun et al., 2014).

**E-satisfaction**

Evanschitzky, Iyer, Hesse and Ahlert (2004) as well as Szymanski and Hise (2000) suggest that e-satisfaction manifests when clients compare the experience of the online service with offline service provision. Anderson and Srinivasan (2003) define e-satisfaction as customer contentment with the purchase experience at a particular online company. According to McKinney et al. (2002) and Sanchez-Franco (2009), e-satisfaction is associated with the characteristics of the website as the customers perceive it, because there is no other contact point in the online environment. Shankar, Smith and Rangaswamy (2003) have found that the service encounter satisfaction is not statistically different online versus offline, however, overall satisfaction (the cumulative effect of a set of discrete service encounters or transactions with the service provider over a period of time) is higher online than offline. These authors also list the main determinants of customer satisfaction offline, such as ease of obtaining information, frequency of use, service performance and prior experience. Based on their research findings Shankar, Smith and Rangaswamy (2003) suggest that in the online setting satisfaction is influences, besides the actual service received, ease of obtaining information has a stronger positive effect on overall satisfaction online than offline; frequency of use has a lesser negative effect on overall...
satisfaction online than offline; and the depth of information at the website increases service encounter satisfaction, and from there contributes to overall satisfaction with the online service provider.

**Determinants of Online Relationship Quality**

Brun, Rajaobelina and Ricard (2016) argue that there are several factors that contribute to online relationship quality, and that these factors can be divided into relational characteristics and website characteristics. Relational characteristics resemble the factors of the offline context, which also coincide with and influence the online context (Ching and Ellis, 2006). Website characteristics are composed of factors derived exclusively from the online environment (Chung and Shin, 2010).

Brun et al. (2016) suggest that relational characteristics that promote online relationship quality are communication, conflicts, and the perceived benefits of the relationship. With regards to the characteristics of the website, Brun et al. (2016) have identified convenience, website design, information quality, ease of use, and security/privacy as the most relevant factors contributing to online relationship quality (Table 3).

<table>
<thead>
<tr>
<th>Relational Characteristics</th>
<th>Website Characteristics</th>
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<tbody>
<tr>
<td>Communication</td>
<td></td>
</tr>
<tr>
<td>It influences positively the dimensions of online relationship quality, namely online trust (Mukherjee and Nath, 2007) and online satisfaction (Chung and Shin) and also has a positive impact on offline commitment (Palmatier et al., 2006). Although not very significant in its overall positive impact, it exerts significant positive impact on online relationship quality for women (Brun et al., 2016).</td>
<td></td>
</tr>
<tr>
<td>Conflict</td>
<td></td>
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<tr>
<td>It negatively influences all dimensions (Palmatier et al., 2006).</td>
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</tr>
<tr>
<td>Perceived Benefits of Relationship</td>
<td></td>
</tr>
<tr>
<td>It influences positively the three dimensions of online relationship quality: trust, commitment and satisfaction (Palmatier et al., 2006).</td>
<td></td>
</tr>
<tr>
<td>Website Characteristics</td>
<td></td>
</tr>
<tr>
<td>Convenience</td>
<td></td>
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<tr>
<td>It positively influences trust and commitment, in online context Toufaily and Perrien, 2006). While it contributes to overall online relationship quality, it is found to be the least important antecedent of it (Brun et al., 2016).</td>
<td></td>
</tr>
<tr>
<td>Website design</td>
<td></td>
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<tr>
<td>It directly influences satisfaction, in an online context, but indirectly also has an impact on trust and commitment (Chung and Shin, 2010).</td>
<td></td>
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<tr>
<td>Quality of Information</td>
<td></td>
</tr>
<tr>
<td>It influences trust (Ladhari and Leclerc, 2013), commitment (Bauer, Grether, and Leach, 2002) and satisfaction (Ladhari and Leclerc, 2013) in online context. The depth of information at the website increases service encounter satisfaction, which increases overall satisfaction (Shankar et al., 2003).</td>
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<td>(depth of information)</td>
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<tr>
<td>Ease of Use</td>
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</table>
| It is the most important antecedent of online relationship quality (Brun et al., 2016). It influences positively online satisfaction (Casalo, Flavian, and Guinaliu, 2008), online trust (Flavian, Guinaliu, and Guurea, 2006) and, despite the lower intensity,
online commitment (Brun et al., 2016). Ease of obtaining information has a stronger effect on overall satisfaction (Shankar et al., 2003).

| Security/privacy | It directly influences satisfaction, in an online context, but indirectly also has an impact on online trust and online commitment (Chung and Shin, 2010). |

Table 3 – Determinants of online relationship quality

According Brun et al. (2016), website characteristics are more important for developing enduring online relationships than the relationship characteristics, because there is no physical contact during the online experience, so the customer relies only on the website’s information content, system design, and technology quality (McKinney, Yoon, and Zahedi, 2002). However, all of these factors, whether they are part of the website’s feature set or relational characteristics, influence the dimensions of relationship quality and so, can be considered as antecedents of it (Brun et al., 2016). The ease of use, website design and security/privacy have the greatest total impact on online relationship quality, while perceived benefits, conflict, convenience and communication have the least impact on the overall relationship quality (Brun et al., 2016).

Links Between the Determinants and the Dimensions of Online Relationship Quality

The below matrix (Table 4) displays the impact that each determinant of online relationship quality has on each dimension: e-trust, e-satisfaction and e-commitment. Thus, it provides a practical guide on cause-effect correlations within online customer relationships.

<table>
<thead>
<tr>
<th>Dimensions of Online Relationship Quality</th>
<th>E-Trust</th>
<th>E-Satisfaction</th>
<th>E-Commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relational Determinant of Online Relationship Quality</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication</td>
<td>P</td>
<td>P</td>
<td>P</td>
</tr>
<tr>
<td>Conflict</td>
<td>N+</td>
<td>N+</td>
<td>N+</td>
</tr>
<tr>
<td>Perceived Benefits of Relationship</td>
<td>P</td>
<td>P</td>
<td>P</td>
</tr>
<tr>
<td>Website-related Determinant of Online Relationship Quality</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Convenience</td>
<td>P</td>
<td>P-</td>
<td>P</td>
</tr>
<tr>
<td>Website design</td>
<td>P-</td>
<td>P+</td>
<td>P-</td>
</tr>
<tr>
<td>Quality of Information</td>
<td>P</td>
<td>P+</td>
<td>P</td>
</tr>
<tr>
<td>Ease of Use</td>
<td>P+</td>
<td>P+</td>
<td>P-</td>
</tr>
<tr>
<td>Security/privacy</td>
<td>P-</td>
<td>P+</td>
<td>P-</td>
</tr>
</tbody>
</table>

*negative (N), strongly negative (N+), positive (P), strongly positive (P+), slightly or indirectly positive (P-)

Table 4 - Influence of the determinants on the dimensions of relationship quality in the online environment
**Moderators of Online Relationship Quality**

Athanasopoulou (2009) found in her literature review on relationship quality that only a fraction of the studies (4 out of 47) incorporate moderating variables, however their impact can be significant. Gender is highlighted as one of the most impactful moderator, since males and females tend to differ in relationship quality perceptions and in the types of antecedents that influence these perceptions (Athanasopoulou, 2009). Ease of use, the most important antecedent of online relationship quality, is particularly critical for women, and communication has significant positive impact on online relationship quality among women (Brun et al., 2016).

Also, the age of the customers as moderator of relationship quality found to be relevant by Obal and Kunz (2013) advocating for significant difference between Generation Y and Baby Boomers in terms of e-trust and how it built. Brun et al., (2016) discovered that the impact of perceived relationship benefits is stronger for Generation Y than for Baby Boomers, and security/privacy is not significant for Generation Y, but it is for Baby Boomers.

Product importance and in general the industry context may also moderate the links within the relationship quality model especially, for example, when the supplied product is critical for the production of the end product, or when accurate service delivery is critical for the customer such as in medical or legal services (Athanasopoulou, 2009). In the comparison of three different industries Gómez, González-Díaz, Martín-Consuegra and Molina (2017) also conclude that the main benefits perceived of relationship quality is specific regarding different services.

The influence of national culture on cross-national buyer-seller relationship has already been identified as a critical (Dash, Bruning and Guin, 2006). High mutual and symmetric interdependence in a buyer-seller relationship is a crucial factor in building trust and commitment (e.g. Kumar et al., 1995; Geysken et al., 1996), but culture-determined power distance moderates this interdependence, and from there affects relationship quality (Dash, Bruning and Guin, 2006).

The most important moderator, however, according to Athanasopoulou (2009), is the age of the relationship, because relationship quality changes with time and as it ripens it can possibly turn to loyalty.

**Proposed Conceptual Model**

The literature on the determinants and dimensions of online relationship quality is fragmented focusing only some specific links between the determinants and the dimension of relationship quality. Also, hardly any of the studies incorporate the moderators of relationship quality, which found to have significant influence on the overall perception of online relationship quality (Athanasopoulou, 2009; Brun et al, 2016). Furthermore, none of the studies considered multiple moderators and their individual effect on the dimensions on relationship quality. So, this study puts the pieces together and
conceptualizes an integrative online relationship quality model that considers not only previously verified determinants and dimensions of online relationship quality, but also an informed list of moderators that can influence it in the online context. The aim is to advance both academic research in online relationship quality domain, and to offer valuable insight for business professionals providing online services to better care for their customers in this digital age increasing their satisfaction, trust and commitment and ultimately gaining their loyalty.

**CONCLUSION**

This study proposed an inclusive relationship quality model for the online context built from the fragmented previous literature, where there is hardly any consensus about the definition of relationship quality nevertheless their antecedents, building blocks and moderators. The proposed conceptual model is a generic display of the links and cause-effect affiliations of online relationship quality synthesized from different industries, countries and various market segments. Following Athanasopoulou’s (2009) conclusion that the list of variables of relationship quality (determinants, dimensions and moderators) is always context-specific, or building on the findings of this study that the variables of relationship quality are significantly different in online and in traditional contexts (Table 1 - 4) the proposed model (Figure 1) is suggested to be considered for future research as a foundation, and modified based on the specific nature of the context studied. It is expected to be significantly different in various business contexts (B2B or B2C), in various industries and regarding specific services/products as well as in different cultural environment.

However, there are vast differences in the determinants and list of moderators that influence relationship quality, it seems accepted by the majority of the researchers (Table 1) that the core
dimensions of relationship quality, regardless of the industry or online/offline context is the same: trust, satisfaction and commitment. Based on the above analysis of the literature, this study urges future researchers of online relationship quality to consider these main dimensions of the concept, in order to achieve a wider and deeper assessment of different industries and contexts, and realize the benefits of direct comparison.

The main value of the study, besides the inclusive online relationship quality model, is the online relationship quality matrix (Table 4). It collects and points out the main connections between antecedents and dimensions of relationship quality along with the relative strength of these connections. This summary encompasses valuable insight for the business practice deciphering what strategies the company can focus to strengthen a specific feature of their customer relationship. So, rather than trying their best and hoping for the best, acting purposefully and expecting known results.

REFERENCES


SOCIAL MEDIA AND MARKETING STRATEGY IN EDUCATIONAL SERVICES

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2Business Administration Department, University of West Attica, Athens, Greece

ABSTRACT

With the advent of social media and the critical role played by consumer generated content for all types of businesses, there is a need to use social media effectively in marketing strategy. The purpose of this study is to analyse the way educational service firms use social media in their marketing strategy. Data is collected through in-depth, personal interviews of key informants in 5 private colleges. Results show that 4 out of 5 have a social media manager whereas all businesses use various measures of effectiveness of social media use. Also, all firms promote their services through social media and provide information about old or new services. Furthermore, most firms cultivate intimate relationships with customers through social media and handle customer complaints. Only one rewards customers for their loyalty, and two use a customer group or Facebook hub page to manage customer relationships. Finally, no firm uses social media formally for new service development purposes. However, 4 businesses channel customer-supplied information to the appropriate departments for use in designing future services and forming long-term strategy. This study extends findings into the way social media use can be formally incorporated into marketing strategy. However, it is limited to a small number of cases in one service industry. Managerial implications are provided.

Keywords: social media, marketing strategy, educational services, consumer generated content, buyer-seller relationships, crm, co-creation, colleges

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INTRODUCTION

Social Media (SM) is defined as “a group of internet-based applications that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of user generated content” (Kaplan & Haenlein, 2010, p. 61). SM platforms include Facebook, Twitter, LinkedIn, YouTube,
As the penetration and use of social media increases rapidly around the world, firms realise the importance of incorporating social media into their marketing strategy. First, companies increasingly use social media as part of their promotional campaigns to educate customers and create strong brand reputations (Nevin & Torres, 2012). Also, social networks serve as platforms of customer relationship management (CRM) and are used to enhance relationships with customers (Saperstein & Hastings, 2010; Wright et al., 2010). Finally, since social media enable two-way communication with customers, they also enable and enhance the co-creation process of products and services with customers through the integration of user-generated content in the development process. However, there is limited research on how social media can be integrated into all aspects of marketing strategy and researchers emphasize that in the new millennium the role of the internet and digital technology in marketing strategy are themes that require more research (Celuch & Murphy, 2010; Day, 2011). Also, the educational industry is oriented towards the young generation that is particularly active on social media. Therefore, it is very important for educational establishments to include the use of social media in their marketing strategy. The objective of this study is to analyse the way educational service firms use social media in their marketing strategy and especially in three important areas: interactive communication with customers; customer relationship management (CRM) practices and actions aimed at encouraging customers to take part in the development of new services.

The paper is structured as follows. First, we begin with a literature review on the role of social media in marketing strategy, then we present the methodology used; third, we explain the results and finally we conclude with managerial implications, limitations and suggestions for further research.

**LITERATURE REVIEW**

Social media have become a rapidly growing, global phenomenon the past several years. In late 2014, there were 1.35 billion Facebook users, 284 million Twitter users, 1 billion Youtube users, and 332 million LinkedIn users (www.statista.com). Businesses and their marketers are increasingly viewing social media as an additional marketing channel through which they can communicate or interact with their customers and prospective customers (Gummerus et al., 2011; Stelzner, 2013). In the marketing context, social media are seen as a phenomenon that is potentially heralding a paradigm shift (Hanna...
et al., 2011). Wu et al. (2013) stress that although Facebook and Twitter were traditionally designed to connect people, express opinions and re-kindled real life social relationships, they are now used widely as a marketing tool to gain brand awareness or obtain customer feedback.

Many researchers conclude that social media is an online platform which enables customers to create and share content; communicate with one another, and build relationships with other customers (Gordon, 2010; Hennig-Thurau et al., 2010; Libai et al., 2010). The value of social media for marketing is already high and increasing with a fast pace. Smith (2009) classifies social networking as a global phenomenon that is spreading around the world and becoming an important marketing tool. The use of social media is an effective way to engage people and provide them with value (Hudspeth, 2012; Asley & Tuten, 2015) and can provide many tangible benefits for businesses, such as reaching a wide array of customers beyond geographical constraints (Wright et al., 2010), enhancing service quality, facilitating timely and cost-effective research, building and enhancing databases, and reducing costs (Barnes, 2010), improved sales; accelerated new product adoption; higher customer retention or enhanced customer relationships (Harris & Rae, 2009; Maddock & Vitón, 2009).

Consequently, companies try to incorporate social media into their marketing effort by engaging customers on social media in different ways including interactive communication as part of their promotional mix; actions related to the development and nurturing of customer relationships and the exchange of ideas and information regarding new products and services (Hutton & Fosdick, 2011).

Social media have been included in the promotional mix of companies and are considered to be an important marketing channel for many large global brands (Nevin & Torres, 2012; Papasolomou & Melanthiou, 2012). Mangold & Faulds (2009) consider social media to be a hybrid element of the promotion mix in that it combines some of the characteristics of traditional IMC (Integrated Marketing Communications) tools with a highly magnified form of word-of-mouth communications. When marketers discussed word-of-mouth before social media existed, they would talk about how one customer could influence scores of other customers. Now with electronic word-of-mouth (eWOM) created through social media, one customer can influence thousands of people (Bowen, 2015).

Apart from their promotional role, social media can help marketing strategy in two other very important areas. First, social media help to improve communication with customers and through continuous interaction lead to customer intimacy (Saperstein & Hastings, 2010). So, firms can use social media to create intimate relationships with customers (Wright, 2010). If we consider that the development of close, mutually beneficial relationships with customers is considered to be a competitive advantage in today’s market and leads to more loyal customers, we can safely conclude that firms who are successful in using social media for CRM purposes will enjoy more loyal customers and become more competitive (Harrigan et al., 2015).
Furthermore, another important area where social media can be used is in the development of new products and services. The ability of consumers to interact with businesses across a variety of digital platforms; mobile; tablet, laptop and so on, and the growth of consumer generated material through these platforms has created the potential for businesses and brands to research and then use consumer generated content (Quinton, 2013). Therefore, firms cannot neglect the valuable opportunity to utilize social media to communicate and co-create with consumers (Kane and Fichman, 2009). Kao et al (2016) argue that social media can be used as a platform for firms to co-create with consumers and propose a 5-stage process model of social-media-based co-creation. However, there is no research on how companies use social media for new service development.

In summary, although the use of social media provides many tangible benefits for businesses (Wright et al., 2010; Barnes, 2010; Harris & Rae, 2009), researchers note that there is an absence of studies on social media strategy, even in the B2C context, (Ngai et al., 2015; Keegan & Rowley, 2017) and that the knowledge base regarding social media use in organisational settings needs further development (Ngai et al., 2015). Therefore, the business use of the internet and digital environments including social media (Celuch & Murphy, 2010) and the role and centrality of digital technology in marketing strategy (Chang et al., 2002; Day, 2011) are themes highlighted as deserving further research.

In the area of educational services, the use of social media is particularly important since students are part of the younger generation that is highly active on social media. Universities and other educational establishments around the world encourage the engagement of students and alumni in social media through the use of social media pages and groups, blogs, forums, communities etc.

This study aims to analyse the way private colleges use social media in their marketing strategy and more specifically in three major domains: in the communication effort as part of the promotional mix; in customer relationship management and for new service development purposes.

**METHODOLOGY**

This study is qualitative in nature, aiming to develop a better understanding of how service firms use social media in their marketing strategy. A total of 5 case studies were included in the study involving 5 private colleges that operate in Athens, Greece but also have international affiliations. The ultimate objective of the study is to identify the differences and similarities between the different companies in their use of social media in marketing strategy. Data collection was done with in-depth, personal interviews of employees based on a semi-structured questionnaire. A key informant was used in each business that was either responsible for social media use or the one more closely working on this area. Three areas of social media use were analysed: interactive communication; development of customer relationships, and the development of new services. The interviews were tape-recorded and transcribed.
in order to retain the rich information provided by respondents. Also, the interviewer analyzed all secondary materials related to the respondent organisations (reports, web site, social media pages, brochures etc.) in order to identify their social media practices and triangulate data.

Data was analysed with thematic content analysis (Holsti, 1969). Using an inductive approach, i.e. moving from data to the development of theory (Kerlinger, 1986), data from each interview was first analysed separately. Then the data from all interviews was tabulated and compared in order to identify similarities and differences between businesses.

RESULTS

All 5 colleges use Facebook, 4 use Twitter, 3 use Google+ and 2 of them also use youtube. Finally, 1 of them uses either LinkedIn, Instagram, Flickr or Tumblr. Facebook is considered as the most effective medium for the colleges mainly due to the high engagement of users and for effective targeting since colleges target students who are among the heaviest users of social media. One respondent emphasized this point by saying that “Facebook is a well-known and proven communication tool and provides ideal targeting for us since we target students”. YouTube is used for showing videos and campaigns of the colleges and is powerful due to sound and image properties. To complement the use of social media, all 5 colleges use their own web site and two of them also have their own blogs. Also, some of them use educational; political; informational; and other websites for promotion; google adwords; google campaigns, SEO techniques; email campaigns, and online listings.

Four colleges have a social media manager although only 3 of them are trained for this job. Also, one business outsources to an advertising agency that works closely with the Integrated Marketing Communications Department of the College. Social media managers manage content and links posted on the different media pages, design and implement social media and online marketing campaigns and interact with people on social media.

Furthermore, three of the colleges use social media to inform customers about the educational programs available and the new programs developed. As a respondent emphasized “…the offered programs are posted in our Facebook page and a link to our site is attached for further information”. Also, 4 of them use social media for handling complaints and nurturing a relationship with customers. Only one business rewards customers for their loyalty through social media, one has a customer group on social media and another uses its page on Facebook as a hub or meeting place between students, teachers and alumni. As the manager says “Our page on Facebook serves as a hub where students, teachers, alumni and prospective students can meet and exchange information on the School, not only regarding academic programs but also anything else that the school does such as seminars, new cooperations, events etc”.

None of the colleges use social media formally for NSD. However, in 4 of the five businesses information from customers is channelled to the organisation and helps in designing future services and forming
long-term strategy. Any ideas that are provided through interaction with customers on social media are evaluated by the departments of the business and if deemed valuable, they are used in the future. As a respondent characteristically said, “Feedback from our fan base is evaluated by the relevant departments of our firm and all valuable information is used for setting our long-term strategy”. However, there is no specific strategy for exploiting social media for NSD purposes.

All colleges evaluate social media statistics such as clicks, impressions, likes etc. and one of them outsources that service to a media company. Furthermore, one college uses Facebook Insights and measures how many people are engaged in Facebook Applications where prospective students can answer carefully targeted questions, communicate with the college and express interest for a specific academic program. Finally, another business evaluates the increase of involvement in events or meeting days organised, gets prospective students to indicate where they learned about the college, monitors the number of engaged users on Facebook and the number of visitors on the college’s website. As the respondent very pointedly commented “The effectiveness of social media use also has a qualitative side. The increase in engaged users and the communication of the college’s advantages, through social media and the overall online presence of the school, enhances awareness and creates a continuous communication channel with target customers and our students throughout the year”.

DISCUSSION & MANAGERIAL IMPLICATIONS

The most commonly used social medium is Facebook with Twitter and Google+ in second and third position. However, in the educational industry some businesses also use Youtube. Furthermore, the use of social media is complemented by the use of a firm’s own site; other industry-related sites or their own blogs. These results show that managing the digital presence of a company is a complex task and therefore, there is a need to formalise this process and integrate the information supplied and the message sent across all digital media. Therefore, businesses should aim to develop an integrated digital marketing communication strategy.

Also, it seems that firms should add a social media manager to their employees that is adequately trained and understands the values of the brand and how to interact with customers. Previous research has shown that when there is no person responsible for social media or when this job is an entry-level position, customer relations and brand reputation suffer (Lepp, 2015). Also, other researchers show that if there is a lack of appropriate and dedicated personnel for social media, the firm cannot successfully implement its social media marketing strategies (García-Morales et al., 2014; Choi & Theoni, 2016).

Furthermore, results show that social media are used for promotional reasons, for communicating with customers and developing close relationships and for generating new service ideas or suggestions for service improvements. However, again their use is not formally integrated into marketing strategy and
in some cases, it is also limited. For example, few businesses have a customer club or customer group on social media or reward customers for their loyalty through social media. Also, none of the colleges purposefully use social media for new service development purposes. It seems that interactive communication, customer relationship management and co-creation should be managed together as part of the marketing strategy of the firm because they are interrelated. An increase in interactive communication helps in developing and nurturing relationships with customers. Such customers are more loyal and less likely to switch to another provider. Also, such customers can be approached through social media for new service idea generation.

Finally, the measurement of social media effectiveness is widespread but varies in intensity and mode (quantitative and qualitative measures). However, the selection of measures also differs between businesses. Also, we see no evidence of firms using social media metrics that improve outcomes such as brand awareness, brand loyalty, or positive WOM. A lack of these outcome metrics suggests that social media use is not a strategic decision and therefore, they are not used as a strategic tool (Choi & Theoni, 2016). As a result, firms should incorporate the use of social media into their strategy and start using more outcome oriented metrics.

LIMITATIONS & SUGGESTIONS FOR FUTURE RESEARCH

This study extends findings into the way the use of social media can be formally incorporated into marketing strategy. However, it is limited to a small number of cases in one service industry. Future research can extend the sample and do quantitative studies in order to validate and extend findings. Furthermore, future studies can analyse more deeply the way social media are used in all areas of the services marketing mix.

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METHODOLOGICAL ISSUES IN PATIENT SATISFACTION ASSESSMENT: SOME RECOMMENDATIONS

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ABSTRACT

This paper aims to discuss the methodological issues regarding the evaluation of patient satisfaction in order to highlight some aspects that need improvement. This study made a compilation of the most frequent used questionnaires and classified the dimensions measured. All methodological issues and sources of bias reported by authors were acknowledge and discussed. Recommendations are made in order to mitigate all types of bias. Capturing the voice of the patient/client is an essential element of policy planning which can influence the quality improvement policies and provides an opportunity for organizational learning and improvement of the ability to retain/attract patients.

Keywords: patient satisfaction assessment; measurement errors; methodological bias; healthcare assessment scales; health units’ management.

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INTRODUCTION

Several authors have made systematic analysis providing us useful recommendations about patient satisfaction measurement (Sitzia, 1999; Reeve et al. 2013; Shirley, Josephson and Sanders, 2016). Nevertheless, this paper aims to complement that work by updating the discussion of several aspects that can influence the expectations and the perceptions of the quality of care.

Nowadays the task of assessing patient satisfaction is still facing some barriers and inhibitors, which cause systematic distortions (Carlucci, Renna and Schiuma, 2013). For example: a) lack of cognitive skills of older patients to answer long questionnaires- which means that sometimes the questionnaire is answered by patient’s relatives who are not aware of all relevant incidents occurred during the whole stay; b) lack of time- patients are hurrying to leave the hospital, so they rate their perceptions, not based on conscious and completely honest evaluations, but based on heuristics, influenced by halo or recency
effects; c) lack of privacy and anonymity - which may inhibit criticisms because patients are afraid of future negative consequences.

LITERATURE REVIEW

“Healthcare quality” and “patient satisfaction”, “perception” or “experience” are often used interchangeably in the research literature (Beattie et al, 2014). Healthcare is a multidimensional concept, which has different meanings depending on: culture, time of analysis, type of focus in process, structure or outcome or type of target population (patients, relatives, healthcare personnel, administrators or politicians). Several studies confirmed that patient experience is positively associated with patient safety and clinical effectiveness (Brundage et al, 2013). For example, Doyle et al (2013) analyzed 55 studies which demonstrated positive associations between patient experience and self-rated and objectively measured health outcomes; adherence to recommended clinical practice and medication; preventive care (such as health-promoting behavior, use of screening services and immunization); and use of resources (such as hospitalization, length of stay and primary-care visits).

The English National Health Service (NHS) based its assessment in the following dimensions of patient experience: respect, information, communication, physical comfort, emotional support, and access to care (Ahmed, Burt and Roland, 2014). Later Larsson and Larsson-Wilde (2010) made also a very important contribution when they proposed their theoretical framework.

In this paper, the other variables related with the professional groups or other players rather than patients were not included in the analysis. For example, issues related with job satisfaction, burnout, participation of doctors and nurses in education/formation programs, dissatisfaction with salary/wages, financial incentives, rewards indexed to quality and satisfaction, or pay-for-performance schemes (Llanwarne et al, 2013). Moreover, this paper will not be focused in the unintended consequences or managerial implications of patient satisfaction assessment. According to Zgierska et al (2014) the patient satisfaction survey utilization may promote, under certain circumstances, job dissatisfaction, attrition, and inappropriate clinical care among some physicians (including unnecessary antibiotic and opioid pain medication prescriptions, tests, procedures, and hospital admissions). This is concerning, if data from patient experience of care surveys are perceived by physicians as a punitive tool regarding compensation or other negative professional consequences, violating clinicians’ sense of professional integrity.

Since the early years of the development of the quality control theory, scholars and practitioners have widely discussed the constructs and dimensions, which are relevant for health care and hospitals. Grøndahl et al (2013) developed a model proposing three types of predictors of patient satisfaction: 1) person-related conditions, 2) external objective care conditions and 3) patients’ perception of actual care...
received. Interestingly, some studies report that treatment satisfaction may rely more on the patient’s perception of met expectations rather than objective medical outcomes.

According to Rathert et al (2015), patient-centered care has often been conceptualized as consisting of eight dimensions: 1) Respect for patients’ preferences, values and expressed needs; 2) Coordination and integration of care and services; 3) Information, education and communication; 4) Physical comfort; 5) Emotional support; 6) Involvement of family and close others; 7) Continuity and transition from hospital to home; and 8) Access to care and services.

More recently, Beattie et al (2014), developed a systematic review protocol and utility critique of measurement instruments proposing the following criteria for selection of most adequate instrument: validity, reliability, educational impact, cost efficiency and acceptability.

Qualitative research also offers a variety of methods for identifying what really matters to patients and carers (Pope, van Royen and Baker, 2002). Several methods can be used: individual face to face interview, focus groups, exploration groups, “quality circles”, observation based, and narrative based medicine. Although these methods provide deep insights about the expectations and motivations uncovering issues or concerns that had not been anticipated or considered by the researchers, they also have disadvantages because the patient participation is not anonymous. Nevertheless, quality managers will always need to have quantitative support based on higher response rates. Anthoine et al (2014) remembered the need of a priori justification and adequacy of the sample dimension.

The levels of missing data may be correlated with the education level, because patients with higher literacy are used to completing forms. Other aspects related with the design of the instrument (specially the overall length), may decrease the response rates. In order to minimize this problem, response rates can be increased because new developments in technology allow that surveys can be conducted through mobile apps in patients’ smartphones, through online surveys, or through the use of handheld devices or kiosks to get real-time feedback (Stoyanov et al, 2015).

This paper provides a compilation of the more relevant measurement tools presented in Appendix 1. Moreover, in the literature you will find two types of assessment methods: a) patient reports: patients describe what happened with a Yes/No answer; and b) patient evaluation: patients rate/evaluate their experience (e.g. with a four points Likert scale from very bad to very good).

**MEASUREMENT ERRORS, BIAS RESULTING FROM METHODOLOGICAL ISSUES**

According to research theory, besides expected random errors associated to sampling there can be several types of systematic errors:
1) **Measurement errors from systematic bias** related with: information processing; response and non-response bias; design of questionnaire/ scale items; interviewer; and requested information insufficient for assess the construct. For example, regarding non-response bias, floor and ceiling effects must be investigated by inspection of the number of respondents validating extreme response categories expressed as a proportion of valid responses obtained (Groves and Peytcheva, 2008)

2) **Sampling/research design**: population specification; respondents’ selection procedure. Ratings may be influenced by respondent characteristics (age or educational attainment), by patient’s expectations, or by socio-psychological phenomena, such as self-interest, the Hawthorne effect (refers to a situation in which an individual’s behavior is altered by the observation itself) (Leonarda and Masatu, 2006) or gratitude. For example, patients report more negative experiences if there are higher proportion of younger patients, ethnic minorities, and patients living in more deprived areas (Ahmed, Burt and Roland, 2014).

3) **Situational factors**: timing of assessment: patients tend to be more satisfied only weeks after discharge and it may also depend on patient illness and recovery (Crow et al, 2002). In-patients are more willing to answer more positively than they would if they answered the questionnaire after discharge. Obstetric patients (young mothers of new born children) are more prone to collaborate while a higher waiting time for administrative discharging may induce a negative mood and refusal to answer.

4) **Cognitive/memory related bias** such as: the recency effect (Baddeley and Hitch, 1993); primacy effect; response order effect (Vriens et al, 2017); amount of information, type of information and mode of presentation (Latorre-Postigo et al, 2017). According Vriens et al (2017, p.221) “primacy refers to an increased preference for items listed in the beginning of the set whereas recency implies higher preferences for items listed last, regardless of the content of the items presented first or last”. Latorre-Postigo et al, (2017) concluded that the greater the number of recommendations, the lower the recall; visual presentation does not enhance verbal presentation; lifestyle information is recalled better than medication information; after ten minutes, the percentage of memory decreases significantly; and finally the first and last recommendations are better remembered.

5) **Other external objective care conditions** may have a strong influence on the ratings due to a negative halo effect. For example, critical conditions such as sharing a room versus sleeping alone, having to spend the night in a corridor bed, repeated admissions (Grøndahl et al, 2013) or other adverse events and critical incidents (Agoritsas, Bovier and Perneger, 2005).
CONCLUSIONS AND IMPLICATIONS FOR PRACTICE

In general, the majority of studies provided evidences that the perception of interpersonal-based medical service encounters positively influences service quality and patient satisfaction (Carlucci, Renna and Schiuma, 2013; Chang, Chen and Lan, 2013). The perception of service quality among patients positively influences their trust which in turn positively influences their satisfaction.

However, this paper aims to provide some recommendations focused in the methodological issues only:

- A few minutes should be spent informing the patient about the purposes of the questionnaire, assuring their privacy and anonymous status by all means (Carlucci, Renna and Schiuma, 2013).
- The healthcare assessment implies the measurement of functional/tangible aspects and relational/intangible assets. The relational issues are related with emotions and feelings, which may be difficulty to translate into a scale measure due to their volatility.
- The collection of multi-item health status measures can be time consuming, expensive, and overwhelming. Several comparative analyses demonstrated that single item questions can be a reliable and valid alternative (Cheung and Lucas, 2014) in order to increase the response rate and fit the narrow time window of patient collaborative mood.
- Non-intrusive digital gamified methods (Johnson et al, 2016) may also help to achieve the adequate sample dimension, which must be designed according to survey objectives (Anthoine et al, 2014).
- Quality managers should provide the means to capture all the hidden dissatisfaction and latent negative sentiments amongst patients.
- Hospitals must manage all the claims and micro-crises with responsiveness giving feedback to the patient. Unsolved problems will generate negative electronic word-of-mouth (eWOM) (Wallace et al, 2014).

REFERENCES

### APPENDIX 1- COMPILATION OF THE PATIENT SATISFACTION MEASUREMENT TOOLS.

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<th>Dimensions</th>
<th>Measurement tool / Scale</th>
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<td>Hospital Consumer Assessment of Healthcare Providers and Systems survey (HCAHPS) (Jha et al, 2008; Giordano, Elliott and Goldstein, 2010).</td>
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<td>Seattle Outpatient Satisfaction Survey (SOSQ) (Fan et al, 2005)</td>
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<td>Quality of communication questionnaire (QOC) (Slatore et al, 2010)</td>
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<td>Interpersonal-Based Medical Service Encounter (Chang, Chen and Lan, 2013)</td>
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<td>Technical quality of care</td>
<td>Hospital Quality Alliance (HQA) score [20]</td>
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<td>Physician’s knowledge of patient</td>
<td>General Practice Assessment survey (Rao et al, 2006)</td>
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<td>Components of Primary Care Instrument (CPCI)(Flocke, Stange and Zyzanski, 1998)</td>
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<tr>
<td>Coordination of care and overall experience</td>
<td>Commonwealth Fund International Health Policy Survey (Burgers et al, 2010)</td>
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<td>Patient-centered care, access, courtesy, information, coordination, emotional support, physical comfort</td>
<td>VA Survey of Healthcare Experiences of Patients (SHEP) (Meterko et al, 2010)</td>
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<td>Quality from Patient’s Perspective (QPP) questionnaire, 25 item (Wild Larsson and Larsson, 2002)</td>
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<td>English GP Patient Survey (GPPS) (Campbell, Smith and Nissen, 2009)</td>
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<td>Undesirable events</td>
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<td>Emotional Stress Reaction Questionnaire (ESRQ), 30 item (Larsson and Wilde-Larsson, 2010)</td>
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<td>SERVQUAL (Parasuraman, Zeithaml and Berry, 1988)</td>
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<td>Urgent care</td>
<td>UCPERF: An Urgent Care Patient Satisfaction Instrument (Qin et al, 2014)</td>
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ENTREPRENEURSHIP AND THE CITIES IN A KNOWLEDGE-BASED PERSPECTIVE: EVIDENCE FROM THE EU

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ABSTRACT

The present paper aims to answer the following research questions: i) is the knowledge of a city environment a stimulus for entrepreneurship? ii) which knowledge profiles of cities are more propulsive in order to stimulate entrepreneurship? In order to answer the aforementioned research questions, two multidimensional indexes have been created: KBCDE - Knowledge Based City Developing Entrepreneurship and Entrepreneurship (ENT). The sample includes all capital cities in the EU28. The presence of cities from EU28 countries is important to foster the entrepreneurial attitude in each European Country. We have also included 32 non-capital cities in the EU that are important hubs, contributing to a sample formed of 60 cities. Our work tries to contribute to the debate on urban economic development and entrepreneurship, providing implication for academics and urban policy makers. The empirical results show that the social and cultural environment may significantly improve the entrepreneurship in EU cities, moreso than others factors that are usually connected to economic development.

Keywords: Entrepreneurship, knowledge economy, knowledge city, key factors, statistical index

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INTRODUCTION

Following the extant economic and managerial literature, the determinants and the effects of entrepreneurship on economic development present a national or regional perspective (e.g., Audretsch and Fritsch 2002; Crescenzi et al. 2007; Glaeser et al. 2010, 2014; Acs et al. 2014). Recent political and academic issues on entrepreneurship highlight, instead, the need to focus the aforementioned topics at city level. In recent years European Urban Policy has encouraged urban policy makers to create the
supportive conditions to incentivise the creation, development and maintenance of entrepreneurship (e.g. “The State of European Cities Report”, 2016). The economic literature on entrepreneurship at city level is still scarce: the main studies on the effects of entrepreneurship in cities tend to focus on North American or emerging economy cities (Glaeser et al. 2010, 2014; Florida 2002; Florida et al. 2008), while only a few academic contributions are addressing the economic and social effects of entrepreneurship (Audretsch et al. 2015) and the drivers of the creation of an entrepreneurship ecosystem in the European cities (Audretsch and Belitski, 2017). In this vein, the present paper focuses on the role of urban environment in promoting entrepreneurship from a knowledge economy perspective. It is commonly recognized that in knowledge economy cities are characterized by a growing proportion of knowledge workers and by the service-orientation of the economic activities (Sassen, 1994; Hendriks, 1999; Madon and Sahay 2001; Turok 2008; Glaser et al. 2010; 2014). At EU level, Lever (2002) has found a positive correlation between economic development and knowledge “attitude” in European cities. From this perspective, urban policies and governance should be oriented to nurture a strong “people climate” in order to attract and retain talent in urban areas to form analytical, synthetic, and symbolic knowledge bases (Florida, 2002).

Knight (1995; 2008), Perry (2008) and the Yigitcanlar (2011) have defined the concept of Knowledge Based Urban Development - KBUD as new development paradigms of the global knowledge economy aimed at creating economic prosperity, socio-economic order, sustainability and good governance in cities. The goal is to construct a knowledge city (Carrillo et al., 2014) that is a city which is focused on knowledge-based development, by continuously encouraging the Knowledge Management processes (Carrillo et al., 2014; Penco, 2015; Edvardsson et al., 2016).

In this approach the relationship between the paradigms characterizing the global “knowledge city” and their effects on the entrepreneurship does not explicitly emerge; therefore, the impact of the knowledge economy basis in the urban development and the creation of “new entrepreneurship” is an understudied topic. In light of these considerations, the present contribution aims to answer the following research questions: i) is the knowledge city environment a stimulus for entrepreneurship? ii) which profiles of knowledge cities are more conducive to stimulate entrepreneurship? The research is carried out on a sample including all capital cities in the EU28. The presence of cities from every EU28 Country is important to foster the entrepreneurship attitude in each European Country. We also include 32 non-capital cities in the EU that are important hubs, reaching a sample formed of 60 cities. The paper is organized as follows. Section 2 reviews extant literature on knowledge cities and entrepreneurship. Section 3 explains the research design and method, describing the construction of the indicators and shows the major empirical findings. Section 4 discusses the outcomes, bringing implications for academics and practitioners, before concluding.
LITERATURE REVIEW: CITIES AND ENTREPRENEURSHIP

The evolution of cities is becoming an actual topic in itself, due to the intense increase in the recorded urbanization rates both in Advanced and Developing countries (Madon and Sahay 2001; Turok 2008; Glaser et al. 2010). Recent analyses carried out by leading consulting companies confirm the trend towards an Urban World, as cities’ contributions to the economy and global society - in terms of wealth creation and population concentration – have grown in the last thirty years (McKinsey 2016). In other terms, the world is characterized by a level of urban development unprecedented in human history, considering that since 2008, the majority of the world’s population live in urban areas (Russ et al., 2017). The relevance of the phenomenon has therefore attracted the attention of researchers (mainly regional and industrial economists and urban planners) and practitioners, as well as public administrators, who have attempted not only to interpret explanatory factors and the path leading up to this phenomenon, but also to perceive/identify the social and economic effects of urban concentrations. In recent years, academic studies have found the relevance of “people climate” in order to attract and retain talent in urban areas to form analytical, synthetic, and symbolic knowledge bases (Florida, 2002). In this vein, Carrillo (2004) coined the concept of knowledge city to identify metropolitan areas which — similar to a production system—are able to facilitate the creation of knowledge. In contrast to other concepts of cities (e.g. Smart city, Digital City), knowledge cities are particular focused on the human dimension, e.g. people, education, learning and knowledge (Cocchia, 2014). A knowledge city “is a city that is aimed at knowledge-based development, by continuously encouraging the KM (knowledge management) processes. Literature has stated that knowledge cities are the most capable of producing sustainable economic growth. Cities, where relationships between people are more extensive, provide the most natural environment in which to look for evidence of knowledge spill-overs so emphasized by the endogenous growth theory (Audresch et al., 2015). Literature has defined framework and indicators aimed at measuring and achieving the development of an urban contest in a knowledge perspective. Knight (1995; 2008), Perry (2008) and the Yigitcanlar (2011) have defined the concept of KBUD as new development paradigms of the global knowledge economy aimed to create economic prosperity, socio-economic order, sustainability and good governance to city (Yigitcanlar, 2011; Yigitcanlar et al., 2015). Following the KBUD, Garcia (2012) has illustrated the MAKCi (Most Admired Knowledge City) framework is basically a knowledge-economy model, which involves an assessment of value based on which the future development of a city is made possible. Mendez and Moral (2010), studying the cities in the knowledge economy, have identified the key components of a knowledge city, analysing the most important municipalities in Spain. Víctor-Raúl López-Ruiz et al. (2014) adopted Knowledge City Indicator (KCI), aimed to assess not only the sustainability and social wellbeing, but also intangible factors such as human development, economic structure, trade, image and innovation.
In the aforementioned frameworks, the relationship between the paradigms of the global knowledge city and the effect on the level of entrepreneurship doesn’t explicitly emerge. Even if case histories of entrepreneurship in cities are concretely common (e.g., De Groot et al. 2009; Rosenthal and Strange 2004; Bosma and Sternberg, 2014), the factors and the mechanisms that stimulate entrepreneurship in urban areas remain under-examined (Beaudry and Schiffauerova, 2009). In the sphere of economic and regional studies, there is considerable literature focused on the territorial dimension of the entrepreneurship phenomenon, in particular on the determinants and the impact of entrepreneurship on the economy and the development of territory (Audretsch 2003; De Groot et al. 2009; Acs et al. 2009; Glaeser et al. 2010, 2014; Andersson et al. 2011; Stam 2014). It is commonly recognized that the predominant studies are focused on countries or on regional level (e.g., Audretsch and Fritsch 2002; Stam 2014; Crescenzi et al. 2007; Glaeser et al. 2010, 2014; Acs et al. 2014). The recently developed Global Entrepreneurship and Development Index (GEDI) (Acs et al., 2013) and REDI index (Szerb et al., 2013) are aimed at capturing the interaction between individuals and the economic-structural environment at national and regional levels. The recent trend in entrepreneurship policy (e.g., “The State of European Cities Report, 2016 - Cities leading the way to a better future”; https://ec.europa.eu/futurium/en/urban-agenda) and academic research (Glaeser et al. 2014; Mason & Brown, 2014) has boosted the attention not only on the national and regional prospective to study entrepreneurship, but also on local-urban perspective. Cities are an appropriate environment for entrepreneurship (Szerb et al. 2013) by providing a relevant socioeconomic and institutional context within the entrepreneurial ecosystem (Audresch et al., 2017).

The most important appeal of large metropolitan areas that are able to affect the development and for the settlement of entrepreneurship is linked to agglomeration economies (Glaeser et al. 2014) which enable higher externalities and spillovers (Audretsch et al. 2006; Ghio et al. 2014), economies of scale and incentives to innovation and growth (Audretsch 2007; Szerb et al. 2013; Feldman 2014). In contrast to Marshallian economies in industrial districts, urban agglomeration economies are “knowledge agglomerations” (Penco, 2015).

Cities provide amenities and infrastructures that are attractive to its high human capital residents (Florida, 2002; 2008). Physical conditions and amenities increase social life and a perceived improvement in quality of life (Glaeser and Gottlieb, 2006; Warnaby and Davies 1997; McKee and McKee 2004; Benninson et al. 2007; Turok 2008). Transport links either foster or constrain interaction between the agents of the entrepreneurial ecosystem (Turok 2008; Audretsch et al. 2015c).

The main studies are focused on the effects of entrepreneurship in North American cities or those in emerging economies (Glaeser et al., 2010,2014; Florida 2002; Florida et al. 2008; Andersson et al. 2011). The contemporary European urban context (Dijkstra et al. 2013) has however been studied less (see Acs
et al. 2014; Bosma and Sternberg, 2014). Moreover, the entrepreneurship phenomenon in the knowledge city context is not directly studied even if it is commonly recognized that the knowledge development context is one of the most important feature in entrepreneurship development. On the basis of the aforementioned premises and literature gap in the relationship between the knowledge city framework conditions and the entrepreneurial development, our work follows the KBUD framework (Yigitcanlar, 2011; Yigitcanlar et al., 2015) and the entrepreneurship research (Stam et al, 2014; Szerb et al. 2013, Levie and Autio, 2014), connecting and extending their works in three important ways. Firstly we create 4 domains of Knowledge Cities “entrepreneurship oriented”. Secondly, we create an innovative index for measuring the entrepreneurial action at city level. Thirdly, we explain the relationship between each dimension of knowledge city at an entrepreneurship level, trying to identify any bottlenecks and policy implications (Levie and Autio 2014).

**METHODOLOGY**

The sample includes all capital cities in the EU28. The presence of cities from every EU28 Country is important to foster the entrepreneurship attitude in each European Country. We also include 32 non-capital cities in the EU that are important hubs, reaching a sample formed of 60 cities (Bannerjee et al 2016). We decided to create an innovative multidimensional index (KBCDE - Knowledge Based City Developing Entrepreneurship) in order to better explain the different dimensions of “Knowledge cities” following a consolidated methodology (Nardo et al. 2005; Ivaldi et al. 2016a), which defines different stages in order to develop a composite indicator. The selected dimensions really cover the multidimensional nature of “knowledge”: they are sufficiently different, fully describing the multidimensionality of the phenomenon and thus the risk of self-correlation is avoided.

We have considered it appropriate to construct an index based on currently available data, which does not require ad hoc surveys, with the double benefit of avoiding additional costs and also being able to easily and regularly update it (Ivaldi et al. 2016). The analysis of the literature offers several ways to derive a priori which should be the most suitable variable to insert the index (Yigitcanlar et al., 2015), even if the choice is conditioned, of course, both by the availability of data and the purpose of the index itself. Data is obtained from Nesta, European Venture Capital Association, Crowdsurfer, World Bank, Cushman-Wakefield, Ookla, ITU, European Statistical System: CensusHub2, Ghtorrent, Eurobarometer, GP Bullhound, CB Insights, QS University Rankings, Numbeo, DG Regio, Teleport, Global Entrepreneurship Monitor, Eurostat, Meetup.com, Gust, Open Axel, Seed DB, European Business Angels Network. Data collection was carried out in 60 European cities: all capital cities in the EU28 and 32 non-capital cities in the EU that are important hubs of digital entrepreneurship (Bannerjee et al 2016). Finally we decided to consider 28 indicators grouped in the 4 dimensions (Table 1).
Variables containing outliers were treated so that the largest/smallest value was transformed to have the same value as the second largest/smallest value until skewness and kurtosis fell within the acceptable limits, respectively 2 and 3.5 (Bannerjee et al. 2016). All the variables are normalised to within an identical [0,1] range by subtracting the minimum value and then dividing by the entire range of values for that indicator using the Min-Max normalisation method (Han et al. 2012). About 99% of the data was complete and missing data was replaced with the mean of the other variables in that theme obtained for that city in order that for cities containing missing values, the theme scores obtained using imputed data were the same as those that would have been obtained had the variables containing missing values been excluded from the Index (Bannerjee et al. 2016). In the absence of dominance of one dimension over all others, some combination or aggregation is necessary in order to make “Knowledge” inter-individually comparable. The weighting of the relevant life domains is deemed a crucial (Nardo et. al 2005), but very difficult issue and we have opted for equal weighting for different reasons. First of all, the theoretical scheme attaches to each indicator the same adequacy in defining the variable to measure; secondly it does not allow hypotheses consistently derived from differential weightings and the statistical and empirical knowledge is not sufficient for defining weights; finally there is no agreement as to the application of alternative procedures (Maggino 2009). Indeed, even though it would be desirable to assign different weights to the various domains considered, there is no reliable basis for doing so and in any case this does not mean no weighting as equal weighting does imply an implicit judgment on the weights being equal (Nardo et al. 2005).

We carried out the study using a non-compensatory index: DP2 Distance because in the construction of composite indicators, when the symmetry of variables or their weight is to be kept relevant and interpretable, it is necessary to use non-compensatory methods (Munda and Nardo 2005). A non-compensatory index considers the variables as non-substitutable and it assumes no probability law regarding the distribution of variables.

The Pena Distance Index (DP2), although non-compensatory, is a parametric index, because its formulation is based on the application of the linear regression model. Proposed by Pena in 1977 (Pena 1977), DP2 use is increasing after Somarriba and Pena (2009) published a paper in English using DP2 criticizing both Principal Component analyses (PCA) and Data Envelopment Analysis (DEA). Some refinement of the method has been proposed (Montero et al. 2010). The DP2 method is an iterative procedure that weighs partial indicators depending on their correlation with the global index. The DP2 method has been used in different arguments: economic and social cohesion (Holgado Molina et al. 2015); environmental quality (Montero et al., 2010); quality of life (Somarriba and Pena, 2009; Sommariba and Zarosa, 2016), welfare systems (Martinez-Martinez, et al. 2016), political participation (Ivaldi et al. 2017a), deprivation (Landi et. al 2017) and measure of objective and subjective health (Ivaldi
et. al 2017b). This construction solves a large number of problems, for instance, aggregating variables expressed in different units of measurement, arbitrary weights, the treatment of missing values and duplicate information (Pena 1977; Somarriba and Pena 2009; Montero et al. 2010). Moreover, this method is considered more robust than traditional methods such as Principal Component Analysis and Data Envelopment Analysis, as demonstrated by Somarriba and Pena (2009). The DP2 distance synthetic indicator also has many properties: non-negativity, commutativity, triangular inequality, existence, determination, monotony, uniqueness, transitivity, invariance to change of origin and/or scale of units in which the variables are defined, invariance to a change in the general conditions and exhaustiveness and reference base. (Nayak and Mishra 2012).
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<th>Variables</th>
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<td><strong>Variables</strong></td>
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<td>(Percentage of population that are foreign-born)</td>
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<td>Quality of research institutions (Number of research institutions in top 20)</td>
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<td>Ease of doing business (Time and cost associated with doing business (Distance to Frontier score))</td>
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<td>(Broadband speed (MB/sec))</td>
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<td>Commute (Average travel time and distance to work)</td>
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<td>Airport Connectivity (Score based on number of flights from)</td>
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Research Advancements in National and Global Business Theory and Practice  
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### Table 1 – Dimensions and variables used (Source: Our elaboration)

<table>
<thead>
<tr>
<th>Urban innovation system perspective (UIS)</th>
<th>charge ($ / Month)</th>
<th>3h of train travelling</th>
<th>local airports</th>
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<tbody>
<tr>
<td>Availability of early-stage funding in PPP (Amount of seed and startup funding raised (€ thousands))</td>
<td>Availability of late-stage funding in PPP (Amount of later-stage funding raised (€ thousands))</td>
<td>Availability of crowdfunding (Amount pledged to successful campaigns through any models)</td>
<td>Availability of assistance (Number of Business Angels per capita)</td>
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1. *Inverted variables*
The basis of the synthetic indicator is a mathematical function expressed as $I = F(x_1, x_2, \ldots, x_n)$, where $I$ is the synthetic indicator and $n$ is the number of variables, $x_i$ that contribute information to our index. Starting from a matrix $X$ of order $(j, i)$, where $j$ – the rows – is the number of the areas considered in this paper and $i$ – the columns – is the number of variables considered. Each element $x_{ij}$ of this matrix represents the state of the variable $i$ in the area $j$. The DP2 indicator, providing the distance of each region from a reference base, which corresponds to the theoretical area achieving the lowest value of the variables being studied, is defined for area $j$ as follows:

$$DP_{2j} = \sum_{i=1}^{n} \left( \frac{d_{ij}}{\sigma_j} \right) \left( 1 - \frac{R^2_{i,j-i,j-2,\ldots,1}}{R^2_{i,j-i,j-2,\ldots,1}} \right)$$

with $i = 1, \ldots, n$; (areas) and $j = 1, 2, \ldots, m$ (variables)

$d_{ij} = x_{ij} - x_{ij}^*$ being the difference between the value taken by the $i$-th variable in the area $j$ and the minimum of the variable in the least desirable theoretical scenario, namely the reference value of the matrix $X$.

$\sigma_i$ is the standard deviation of variable $i$;

Note that the quantity $\frac{d_{ij}}{\sigma_j}$ is merely a change in the origin and scale, and one may also use zero as the reference point and $\left[ max_i (x_{ij}) - min_i (x_{ij}) \right]$ instead $\sigma_j$ as a scaling factor, without any adverse effect on the formula (Montero et al. 2010).

$R^2_{i,j-i,j-2,\ldots,1}$ is the coefficient of multiple linear correlation squared in the linear regression of $X_i$ over $X_{i-1}$, $X_{i-2}$, ..., $X_1$, and it indicates the part of the variance of $X_i$ explained linearly by the variables $X_{i-1}$, $X_{i-2}$, ..., $X_1$. This coefficient is an abstract number and it is unrelated to the measurement units of the different variables.

$\left( 1 - \frac{R^2_{i,j-1,\ldots,1}}{R^2_{i,j-1,\ldots,1}} \right)$ is the correction factor, which shows the variance part of $X_i$ not explained by the linear regression model. This factor ensures that the composite synthetic indicator includes only the new information from each variable, avoiding the duplication of information already contained in the preceding variables.

Therefore $(1 - R^2_{j,j-1,\ldots,1}) \cdot R^2_{j,j-1,\ldots,1}$ with $j > 1$ is the coefficient of multiple linear correlation squared in the linear regression of the first chosen $j$ over the successive other indicators included one by one.

The first variable obtains an absolute weight of unity $(1 - R^2_1)$, the subsequent variable $j = 2$ obtains a weight $(1 - R^2_2)$, the third $j = 3 (1 - R^2_3)$, and in general, the $j$th variable obtains a weight $(1 - R^2_{j,j-1,\ldots,1})$. The chosen $j$ is regressed over other indicators included one by one. The resulted $R^2_{j,j-1,\ldots,1}$ for any $j$ is used as a sort of weight. In this way the weight assigned to each indicator follows a precise rule that has the goal of reducing the duplicity of information that often affects aggregation methods (Somarriba and Peña 2009; Montero et al. 2010). Concerning the weights, the first variable obtains an
absolute weight of \((1 - R_1^2)\). The subsequent variable \(j=2\) obtains a weight \((1 - R_{2,1}^2)\). In general, the \(j_{th}\) variable obtains a weight \((1 - R_{j,j-1}^2)\). Thus, the weights assigned to a variable depend on its position in the order, making DP2-based composite synthetic indices indeterminate and arbitrary (Montero et al. 2010). It is worth noting that the weights assigned to a variable will depend on its position in the order, making DP2-based composite synthetic indices indeterminate and arbitrary (Nayak and Mishra 2012). Montero et al. (2010) try to suggest the following procedure to solve the indeterminacy problem:

1. Initialize the weight vector, \(w_j = 1\ \forall\ j = 1, 2, ..., m\) and define \(\varepsilon = 0.00001\).
2. Define \(\partial_{ij} = \left(\frac{d_{ij}}{\sigma_j}\right)\ \forall\ j = 1,2,\ldots,m\) and \(i = 1,2,\ldots,n\).
3. Obtain \(DF_i = \sum_{j=1}^{m} \left(\left(\frac{d_{ij}}{\sigma_j}\right) w_j\right)\); \(i = 1,2,\ldots,n\).
4. Compute Karl Pearson’s coefficient of correlation \(r(DF, \partial_j)\) between \(DF\) and \(\partial_j\ \forall\ j = 1,2,\ldots,m\). Arrange \(|r(DF, \partial_j)|\) in descending order and re-index the associated variables \(\partial_j\) accordingly.
5. Compute \(Z_i = \sum_{j=1}^{m} \left(\left(\frac{d_{ij}}{\sigma_j}\right) w_j\right)\); \(i = 1,2,\ldots,n;\) \(w_j = \left(1 - R_{j,j-1}^2\right)\) for \(j = 2,3,\ldots,m\) and \(w_1 = 1\).
6. If \(\sum_{i=1}^{n} (DF_i > Z_i)^2 \geq \varepsilon\) then replace \(DF\) by \(Z\) go to 4), otherwise: finish.

This construction of KBCDE solves a large number of problems, for instance, aggregating variables expressed in different units of measurement, arbitrary weights, the treatment of missing values and duplicate information (Pena 1977; Somarriba and Pena 2009; Montero et al. 2010). Higher scores represent situations of good “knowledge” rather than lower scores. In this way, we complete the index for each dimension, as well as for the aggregate global indicator of knowledge (Ivaldi et al 2016b). We used the same methodology to create the index of Entrepreneurship (ENT) using three variables: New-business density, Absence of negative perception of entrepreneurship (% of population) and History of highly successful digital companies (per capita).

**RESULTS AND DISCUSSIONS**

The findings show the different ranking of the samples EU cities (Table Annex 1A). London appears as the best performer, in terms of Social and Talent-cultural perspective (1st; STC=16.8038), Urban innovation system perspective (1st UIS=6.049993) and then on the basis of “KBCDE - Knowledge Based City Developing Entrepreneurship synthetic measures (1st; 8.224008); these profiles stimulate the leading position in Entrepreneurship (1st; ENT=4.18), confirming previous academic contributions (Table 2). Consistently with the main literature (Ergazakis at al. 2004; Edvinsson et al., 2006), Stockholm follows London in KBCDE (2nd; 8.648025), thank to the good position of the social aspect (2nd; 13.80082).
and in the creation of a good innovative system (2nd; UIS=5.824475). London and Stockholm are followed by Oxford, Paris, Amsterdam, Copenhagen and Helsinki. It is no coincidence that the top cities in KBCDE have recently implemented dictated policies, making the city governments’ activities more coherent. Some of these cities have implemented explicit policies in order to earn the “status of Knowledge Cities”. These policies aim to enhance the competitiveness of these cities and the national system in which they are located, as well as to realize a harmonious development with the other neighbouring towns. In the contemporary economy, in fact, cities are in competition with each other in attracting investments, business, inhabitants and tourists and to improve citizens’ satisfaction. In order to deal with this competition, cities use different tools: strategic planning, marketing strategies, city branding, etc. In particular, having dictated policies brings the following value to cities: increased competitiveness, resulting in a positive impact on investment, jobs, inhabitants, visitors and events; higher returns on investment in real estate, infrastructure and events; coherent city development, as the physical, social, economic and cultural aspects combine to deliver the brand promise; pride in the city as the inhabitants, businesses and institutions experience a new sense of purpose and direction. These results confirm that the top cities are located in Northern Countries; policies aimed at enhancing the level of quality in social, economic, environment-sustainability and in supportive interventions for new firms have stimulated the creation of a knowledge-based context. It was also chosen to compare, through the Spearman rank correlation coefficient, KBCDE results with ENT. Pearson’s correlation is moderately good (0.534). The component more correlated with ENT Index is described by STC (0.645) and partially from UIS (0.383) (Table 3). The findings demonstrate that a high score in KCBED is a valuable predictor of ENT attitude at city level, confirming that a knowledge city environment is a stimulus for the development of entrepreneurship.
Table 2 – The top ten cities

<table>
<thead>
<tr>
<th>City</th>
<th>Social and Talent-cultural perspective (STC)</th>
<th>Economy and context perspective (ECE)</th>
<th>Environmental and Infrastructural perspective (ENI)</th>
<th>Urban innovation system perspective (UIS)</th>
<th>Knowledge Based City Developing Entrepreneurship (KBCDE)</th>
<th>Entrepreneurship (ENT)</th>
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<td>London</td>
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Table 3 – Correlations

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<th>Correlation</th>
<th>Sig. (2-code)</th>
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<td>Sig. (2-code)</td>
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Correlation is significant at 0.01 level (2-tailed).

Table 3 – Correlations
In order to understand which profiles of knowledge cities are more propulsive in order to stimulate entrepreneurship, first, as the Social and Talent-cultural perspective (STC) help to attract and retain talents, the empirical outcomes corroborate the positive association between a good social environment and entrepreneurship attitude at city level. Moreover, the outcomes test the relevant role of the creation of interventions and measures aimed at developing an Urban innovation system perspective (UIS) in shaping entrepreneurship.

CONCLUSION AND FURTHER RESEARCH

In conclusion, challenging the theme of entrepreneurship in the urban context, our study yields several insights. First, we have created a new composite index called KBCDE and we have applied this model to 60 EU cities (capital cities and other important cities). Secondly, on the basis of a set of sub-indexes, we have studied a relationship between each profile of knowledge cities and entrepreneurship, on a sample of 60 EU cities. Third, our work tries to contribute to the debate on urban economic development and entrepreneurship, providing implication for academics and urban policy makers. The empirical results test that the social and cultural environment may significantly improve entrepreneurship in EU cities, more than others factors that are usually connected to economic development. This contribution presents some inherent limitations, which might be challenged in future research. Firstly, the investigation is performed only on EU cities; further studies are therefore required to enlarge the sample of cities, including other urban areas and to make a comparison with other relevant Countries (e.g., Emerging Economies/Advanced Economies). In addition, the number of variables and attributes referred to each dimension might be expanded, embodying also additional perspectives, which could reasonably contribute to achieve a better understanding of the determinants affecting the development of entrepreneurship at urban level.

REFERENCES


Pena, J (1977), Problemas de la medición del bienestar y conceptos afines ( Una aplicacion al caso espanol), INE, Madrid


ANNEX

<table>
<thead>
<tr>
<th>Social and Economic context perspective (STC)</th>
<th>Economy and Infrastructural perspective (ECE)</th>
<th>Environmental and Infrastructure perspective (ENI)</th>
<th>Urban innovation system perspective (UIS)</th>
<th>KBCDE</th>
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<td>Copenhagen 12.68</td>
<td>Bratislava 13.28</td>
<td>Utrecht 13.77</td>
<td>Amsterdham 5.402</td>
<td>Amsterdham 7.648</td>
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<td>Dublin 12.53</td>
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<td>Amsterdham 13.46</td>
<td>Stockhol m 4.524</td>
<td>Copenha gen 7.571</td>
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Research Advancements in National and Global Business Theory and Practice

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<td>Vienna</td>
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Table 4. ANNEX Table 1A – Cities (Source: Our elaboration)
DRIVING AUDIT COMMITTEE DISCLOSURE - LEGISLATION VERSUS BEST PRACTICE

Coetzee, Philna¹; Erasmus, Lourens J.²

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ABSTRACT

An explosion of corporate and public sector governance failures has dented the credibility of governance and its oversight bodies. Shareholders of companies and the general public have no alternative than to rely on the credibility and effectiveness of governance and oversight structures to protect their interest. The audit committee is such an oversight committee. Where scholars are stressing the shift from compliance disclosure to more substantive information regarding the performance of the audit committee, this study investigates whether the expectation for expanded disclosure (voluntary above force) have been adopted as part of organisational culture. The evolution of audit committee guidance in the King reports and prominent global guidance documents were analysed and compared to current legislation governing all sectors within South Africa. A document analysis in the form of a structured content analysis was conducted to determine, based on disclosure, adherence to the King guidance by South African organisations in private and various public sectors, after which optimal scaling was applied to determine dimensions of disclosure, with respect to audit committee best practice. Lastly, the level of adherence to legislation versus adherence to best practices is gauged within each dimension. The study adds to the body of knowledge on voluntary disclosure of audit committee best practice to be considered by policy makers and management on what may strengthen the credibility and effectiveness of audit committee oversight as perceived by the stakeholder. The result also presents a foundation for further research within this area.

Keywords: Audit committee; Voluntary disclosure; Force disclosure; Legislation; Best practice; Optimal scaling

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INTRODUCTION

In the last two decades Enron and Worldcom (Rezaee et al., 2003; Ahluwalia et al., 2016) lifted the lid on corporate governance oversight failure. Since then an explosion of corporate and public sector governance failures has dented the credibility of governance and their oversight bodies (Faull, 2017). This is also true for South Africa, where in the private sector, examples include Sharemax (Heystek, 2015), African Bank (Donnelly, 2016) and Steinhoff (Rossouw, 2017). For the public sector, examples include the arms deal debacle (Corruption Watch, 2014) and the Nkandla estate (African News Agency, 2016). Most recently, also the numerous major public entity governance scandals at amongst others, the South African Airways, South African Broadcasting Corporation, Passenger Rail Agency South Africa, Transnet and Eskom - all linked to so-called “state capture” allegations (Faull, 2017). In many of these incidences the auditors and per implication the audit committees were accused of neglecting their oversight role (Moneyweb, 2017; Rossouw, 2017).

Stakeholders have no alternative than to rely on the credibility and effectiveness of governance by management, and oversight structures to protect their interest. The audit committee is such an oversight structure whose existence stem from the need to protect the interest of stakeholders as per the agency theory’s principle-agent problem (Al-Rassas & Kamardin, 2016; Setiany et al., 2017), by providing assurance on good governance. The formal manner of communicating with stakeholders is disclosure in the annual report of organisations. Stakeholder perception on the effective functioning, and thus credibility, of the audit committee may be based on what is being disclosed to them.

To ensure the effective functioning of a credible audit committee, scholars have debated, inter alia, its structure, role and responsibility as well as its effect on the performance of the organisation (e.g. Alleyne et al., 2006; Al-Matari et al., 2017; Setiany et al., 2017). Scholarly research, together with pressure to strengthen investor confidence, culminated in guidance documents, commencing with the United Kingdom’s Cadbury report (The Committee on the Financial Aspects of Corporate Governance, 1992) and South Africa’s first King report (IoD, 1994), to name a few. Some governments have decided to formally incorporate guidance in legislation, such as the Sarbanes-Oxley Act of the United States of America (USA, 2002) and South African legislation, to enforce compliance on what is deemed the composition requirements and role of an effective audit committee.

After years of research on ‘best practice’ that are incorporated in guidance documents and legislation, scholars opine that mandatory rules can result in the symbolic display of conformity (Bédard & Gendron, 2010; Contessotto & Moroney, 2014; Brennan & Kirwan, 2015). Bédard & Gendron (2010) argue for more exploratory and explanatory studies opposed to the numerous relational studies on audit committee effectiveness. Relational studies do not improve the understanding of why and how the association between audit committee characteristics and its effectiveness happens. The reasoning is
plausible in the light of continuous governance scandals globally and the increase in mandatory audit committee requirements. However, Bédard & Gendron (2010) caution that investor (stakeholder) perceptions are still influenced by the supposition that audit committees can improve stakeholder confidence in the information presented to the stakeholders by the organisation. The stakeholder confidence is increased when it is perceived that the audit committee adopts practices that are considered by the market as ‘best practices’ – no matter their substantive impact on information quality. The question arises whether audit committee disclosure is based on best practices (the so-called ‘voluntary disclosure’) or on adherence to legislation (also referred to as ‘by force’).

Scholars have investigated elements relating to audit committee best practice (e.g. Martinov-Bennie et al., 2015; Dewayanto et al., 2017) and audit committee disclosures (Rezaee et al., 2003). It is also recognised in practice that organisations have generally increased voluntary disclosure on the role and activities of audit committees (Deloitte, 2017). However, no study investigated whether disclosure on audit committees are driven by best practice or by force. The objectives of this study, supported by the legitimacy theory, are first to establish whether the King reports on governance may be regarded as best practice for audit committees. If so, secondly, to determine which areas of best practice are being disclosed (or not) and how these areas relate to legislative requirements. To achieve the first objective, the evolution of audit committee guidance in the King reports and prominent global guidance documents were analysed and compared to current legislation governing all sectors within South Africa. To achieve the second objective, a document analysis in the form of a structured content analysis was conducted to determine, based on disclosure, adherence to the King guidance by South African organisations in various sectors (hereinafter referred to as spheres since the public sector has been divided into three categories), after which optimal scaling was applied to determine dimensions of disclosure, with respect to audit committee best practice. Lastly, the level of adherence to legislation versus adherence to best practices is gauged within each dimension.

The rest of the paper is structured as follows: the research methods followed are explained; the theoretical framework and the finding to address the first objective and the results and supporting literature regarding the second objective are presented; the conclusion, implication and recommendations are discussed.

RESEARCH METHOD

To achieve the first research objective, two document analyses were conducted, namely 1) the three King reports and three prominent global guidance documents were analysed and 2) the King III requirements (IoD, 2009) were compared to legislative requirements. (Although a fourth King report was issued in 2016, its inaugural application succeeds the data collected for this study.) The aim is to
determine whether the King III can be viewed as a form of ‘best practice’ guidance. First, the three King reports were compared to the leading corporate governance documents issued in the United Kingdom. Thereafter, King III was analysed, identifying 47 items on audit committee requirements. These items were compared with requirements from the Companies Act, no. 71 of 2008 (RSA, 2008), the Public Finance Management Act (PFMA), no. 1 of 2000 (RSA, 1999), its supporting Treasury Regulations (RSA, 2005) and the Municipal Finance Management Act (MFMA), no. 56 of 2003 (RSA, 2003), to determine whether King III requirements (voluntary disclosure on best practices) are more comprehensive than legislative requirements (forced). These acts represent the South African private sector and different public sector spheres.

To achieve the second research objective, a document analysis in the form of a structured content analysis were conducted on the 2014/15 annual reports of private and public sector organisations. The sample consisted of: 41 listed companies, selected based on their market capitalisation ranking; 21 major public entities as listed in Schedule 2 of the PFMA (The reason for major public entities being selected was due to major public entities being established to operate independent of the fiscal budget (RSA, 2015) and any regression in the entities’ financial position would entail that these entities have to be assisted by government financial guarantees or funding (RSA, 2016)); all central government departments (39) that were in existence in the 2014/15 financial year; for the provinces, based on previous audit reports (AGSA, 2015), the departments of two sound provinces (Western Cape (14) and Gauteng (13)) and two weak provinces (Limpopo (13) and North West (12)); for municipalities, all the metropolitan municipalities (8), district municipalities for which annual reports could be obtained (33), and one or more local municipality (37) for each of these districts were selected. Due to the sheer number of annual reports that had to be analysed this method of sampling was selected for feasibility. The sample is broken down as follows: from the central and provincial departments (39%), followed by local municipalities (34%), private sector (18%) and lastly the public entities (9%).

The annual reports were analysed for adherence to the 47 King III requirements. Adherence were coded as a ‘1’ and non-adherence were coded as a ‘-1’. Certain items, for example number of committee members and number of meetings were recorded as ratio data. In order to convert the 47 items to dimensions, optimal scaling was applied using Cronbach’s alpha (threshold 0.6) and the eigenvalue (threshold 1). It is deemed satisfactory for exploratory analysis if the Cronbach’s alpha threshold is 0.6 (Hair et al., 2010), measuring the consistency or reliability of the items relating to the identified dimensions. The eigenvalue is a measure of how much of the variance of the observed items a dimension explain. Any dimension with an eigenvalue of greater than one explains more variance than a single observed item. The optimal scaling exercise presented four dimensions before the Cronbach’s alpha registered below the satisfaction level.
THEORETICAL FRAMEWORK AND FINDINGS: BEST PRACTISES VERSUS LEGISLATION

This study leans on legitimacy theory in terms of audit committee disclosure – voluntary versus force. System-orientated theories, such as legitimacy theory, stakeholder theory and institutional theory assume that an organisation is influenced by, and in turn have influence upon, the society in which it operates (Deegan, 2002). These theories are often used to explain management’s motivation to make voluntary (unregulated) disclosures (Deegan, 2014). Disclosure policies represents an important means by which management can influence external perceptions about their organisation (Suchman, 1995). For this study, leaning on legitimacy theory expands the users of disseminated organisational information from shareholders to the society in which the organisation operates. In particular, since organisational failure, whether private or public, have a societal impact. The notion, therefore, is that organisations may seek societal legitimacy by disclosing information on what society may perceive as advancing good governance, in addition to mandatory disclosure (Shehata, 2014).

Although many studies have investigated the phenomenon of voluntary disclosure, including that of the audit committee (Allegrini & Greco, 2013), most of these studies focus on the disclosure of selected activities of the audit committee. This is due to most guidance documents only addressing a few important aspects of audit committee disclosure (Ghafran & O’Sullivan, 2012). With many of the prominent governance documents, listing requirements as well as legislation including guidance on audit committees, the question arises, what can be seen as ‘best practices’ in a global context. With the issuing of the second (IoD, 2002) and more so the third (IoD, 2009) King reports, many international scholars (Jackson, 2005; Jones & Solomon, 2013; Atkins et al., 2015) expressed their views that the guidance captured in these reports are viewed as global leading guidance. To determine whether the three King reports were ahead (or at least on par) of their times, they were compared to similar guidance issued in the United Kingdom, due to its Cadbury Report in 1992 being the first globally recognised guidance document on governance. In Table 1, the concepts embedded in the three King reports are compared to the Cadbury Report (The Committee on the Financial Aspects of Corporate Governance, 1992), the Combined Code (FRC 2003) and the UK Corporate Governance Code (FRC 2010), indicating the evolution of audit committee guidance as documented in these guidance documents.

From the presentation it is clear that the King reports have kept up to date with the changes in the audit committee guidance domain, with concepts such as “effective” audit committee; including the public sector sphere into the guidance; and the comprehensive guidance on the functions of the audit committee as well as the chair, all motivating that King III can be seen as ‘best practice’ of its time. To
further address the first objective of the article, the King III requirements for audit committees were compared to relevant South African legislation with the findings indicating that the best practice requirement is not covered by the relevant pieces of legislation. Of the 47 items, 31.9% were addressed in the Companies Act, 44.7% in the PFMA and 36.2% in the MFMA. Furthermore, no additional items could be identified in these documents that are not included in the King III report. This clearly indicates that the King III report (IoD, 2009) is much more comprehensive in its guidance to audit committees. In some instances, the legislation guidance is even questionable and directly in contrast with sound governance, e.g. where the Accounting Officer (equal to the CEO) appoints audit committee members in consultation with the Executive Authority (equal to the Board).

Therefore, the first objective of the study, to determine whether King III can be regarded as best practice when it comes to audit committee guidance, is achieved.
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<td>√</td>
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<td>√</td>
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<td>Members</td>
<td>Min. 3 non-executive</td>
<td>Min. 1 non-executive</td>
<td>Majority non-executive</td>
<td>Min. 3 (smaller = 2) non-executive and independent</td>
<td>Min. 3 independent non-executive</td>
<td>Min. 3 (smaller = 2) non-executive and independent</td>
</tr>
<tr>
<td></td>
<td>Majority independent</td>
<td>Preferable majority non-executive</td>
<td>Financially literate</td>
<td>One must be financially literate</td>
<td>Financially literate</td>
<td>One financially experienced</td>
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<td></td>
<td></td>
<td>Review if CEO should be member</td>
<td>Board chair not member</td>
<td>Chair of board not a member</td>
<td>Not chair of board</td>
<td>Chair of board not a member</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Appointed for 3 years for max 3 terms</td>
<td>Suitable skilled and experienced</td>
<td>Update competence</td>
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<td>Chair</td>
<td>Non-executive director</td>
<td>Non-executive director</td>
<td>Not chair of board</td>
<td>Independent non-executive director</td>
<td>Guide the board</td>
<td>For smaller companies board chair may not be chair of audit committee</td>
</tr>
<tr>
<td></td>
<td>Not chair of board</td>
<td>Not chair of board</td>
<td>Financially literate</td>
<td>Guide the board</td>
<td>Lead constructive dialogue</td>
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<td>Meetings</td>
<td>EA, FD must and IA should attend</td>
<td>EA, IA and FD attend all meetings</td>
<td>Invite board chair to attend</td>
<td>AC chair determines frequency and timing</td>
<td>Invite board chair to attend</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Could invite CEO</td>
<td></td>
<td></td>
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<tr>
<td>Terms</td>
<td>√</td>
<td>√</td>
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<td></td>
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<tr>
<td>Functions</td>
<td>Investigate: 4 matters</td>
<td>Review: 8 matters</td>
<td>Assess activities and effectiveness of AC</td>
<td>Review: 7 matters</td>
<td>Overseer: stakeholder reporting (17 aspects included); interim results (5 aspects); summarised financial information (6 aspects); integrated sustainability reporting (4 aspects).</td>
<td>Review: 7 matters</td>
</tr>
<tr>
<td></td>
<td>Review: 6 matters</td>
<td>Review: 6 matters</td>
<td>Oversee of IAF activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------</td>
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<td>---------------</td>
<td>----------------</td>
<td>----------------------</td>
<td>----------------</td>
<td>------------------</td>
</tr>
<tr>
<td>Interact</td>
<td>Meet alone with EA Recommend EA, fees and resignation / dismissal</td>
<td>Communicate with board chair, CAE, FD CAE report to AC</td>
<td>Arbiter Involved in EA appoint CAE report to AC Meet alone with EA Encourage communication</td>
<td>Recommend EA appointment, remuneration and terms</td>
<td>Meet alone with EA and IA Oversee all assurance providers Recommend appointment/dismissal EA Cooperation between IA and EA</td>
<td>Recommend EA appointment, remuneration and terms</td>
</tr>
<tr>
<td>Report in</td>
<td>Membership</td>
<td>Membership</td>
<td>Membership Acceptability if AC has satisfied these</td>
<td>Work of AC Independence of EA when conducting non-audit services</td>
<td>Summary of role Formal terms, satisfied responsibilities Names and qualifications of members Number and attendance of meetings</td>
<td>Work of AC Independence of EA when conducting non-audit services</td>
</tr>
</tbody>
</table>
RESULTS AND SUPPORTING LITERATURE ON DISCLOSURE

To address the second objective, namely to develop variables by which adherence to audit committee best practice may be measured for future use by researchers, organisational stakeholders (audit committees, boards, management, etc.) and related professional bodies to provide guidance to their members, optimal scaling was applied. This resulted in four dimensions and two items. The support for the four dimensions is presented in Table 2.

Table 2: Support for dimensions

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<th>Dimension</th>
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<th>Cronbach’s alpha</th>
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<td>.956</td>
</tr>
<tr>
<td>2</td>
<td>6.706</td>
<td>.869</td>
</tr>
<tr>
<td>3</td>
<td>4.097</td>
<td>.772</td>
</tr>
<tr>
<td>4</td>
<td>2.392</td>
<td>.595</td>
</tr>
</tbody>
</table>

Although the fourth dimension’s Cronbach’s Alpha is still acceptable for exploratory research purposes, it also indicated that it was not possible to explore a fifth dimension. Tables 3 to 6 present the four dimensions and their factor loadings and the separate items.

Table 3: Dimension 1 – Financial reporting quality mechanism

<table>
<thead>
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<th>King requirement</th>
<th>Loading</th>
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<tr>
<td>Terms of reference approved by Board</td>
<td>0.536</td>
</tr>
<tr>
<td>AC meets with external audit annually</td>
<td>0.258</td>
</tr>
<tr>
<td>Independence and capacity of AC members</td>
<td>0.212</td>
</tr>
<tr>
<td>Chairman of AC is not chairman of board</td>
<td>0.588</td>
</tr>
<tr>
<td>AC may consult specialists or consultants subject to a board-approved process</td>
<td>0.342</td>
</tr>
<tr>
<td>Board fills AC vacancies</td>
<td>0.321</td>
</tr>
<tr>
<td>Board elects AC chair</td>
<td>0.235</td>
</tr>
<tr>
<td>Chairman of the audit committee should be present at the AGM</td>
<td>0.349</td>
</tr>
<tr>
<td>AC regarded all factors and risks that may impact integrity of integrated report</td>
<td>0.760</td>
</tr>
<tr>
<td>AC review disclosure of sustainability issues in integrated report</td>
<td>0.513</td>
</tr>
<tr>
<td>AC recommends to the board to engage an external assurance provider on material sustainability issues</td>
<td>0.360</td>
</tr>
<tr>
<td>AC ensure that combined assurance received is appropriate to face all significant risk</td>
<td>0.547</td>
</tr>
<tr>
<td>AC monitors relationship between external assurance providers and company</td>
<td>0.790</td>
</tr>
<tr>
<td>AC performs annual review of the finance function</td>
<td>0.710</td>
</tr>
<tr>
<td>Results of finance function review is disclosed in integrated report</td>
<td>0.691</td>
</tr>
<tr>
<td>AC oversight of financial reporting risk</td>
<td>0.616</td>
</tr>
<tr>
<td>AC oversight of internal financial controls</td>
<td>0.679</td>
</tr>
<tr>
<td>AC oversight of fraud risk related to financial reporting</td>
<td>0.524</td>
</tr>
<tr>
<td>AC oversight of IT risk related to financial reporting</td>
<td>0.419</td>
</tr>
<tr>
<td>AC approves terms and fees of engagement and remuneration of external auditor</td>
<td>0.545</td>
</tr>
<tr>
<td>AC monitors and reports on independence of external auditor</td>
<td>0.639</td>
</tr>
<tr>
<td>AC informed of reportable irregularities identified and reported on by external auditor</td>
<td>0.352</td>
</tr>
<tr>
<td>AC review quality and effectiveness of external audit process</td>
<td>0.450</td>
</tr>
<tr>
<td>AC reports to shareholders its satisfaction with independence of external auditors</td>
<td>0.699</td>
</tr>
<tr>
<td>AC reports to shareholders whether internal financial controls are effective</td>
<td>0.378</td>
</tr>
<tr>
<td>AC recommends integrated report for approval to the board</td>
<td>0.803</td>
</tr>
</tbody>
</table>
Dimension 1 consists of 26 of the 47 items (55.3%). The dimension was labelled “financial reporting quality mechanism” and may be regarded as the priority focus of audit committee best practice guidance (Contessotto & Moroney, 2014). When analysing the 26 items, three strong themes supported by literature on the audit committee function emerge. First, the audit committee’s interaction with the external auditors (six items), the main assurance provider to external stakeholders. Where Contessotto and Moroney (2014) focus on the association between the effectiveness of the audit committee and external audit risk, their findings suggest that external auditors recognise the substance of governance over its form where the audit committee is concerned. The shift from form to substance is further argued by Turley and Zaman (2007) that audit committees should go beyond what is immediately observable from external disclosures through enhanced informal interactions with the external auditors to strengthen its influence and power relations, to maximise the impact of the audit committee on governance. Secondly, the audit committee’s external reporting oversight responsibilities (Rahman & Fairuzana, 2006; Deloitte, 2017), to ensure information quality (Al-Shaer & Salama, 2017), features strongly in this dimension represented by 14 items. Bédard and Gendron (2010) in particular exerts that the usefulness of increased regulation (compliance approach) regarding, inter alia, improved information quality is being questioned and that information on how and why associations happen may provide more insight into the effectiveness of the audit committee in exercising its mandate. The third theme, represented by six items, relates to the independent status of the audit committee (De Zoort et al., 2002; Bédard & Gendron, 2010; Contessotto & Moroney, 2014), supporting the credibility of external audit reporting. De Zoort et al. (2002) in particular express the importance of an independent audit committee in ensuring financial reporting quality since it theoretically provides a strong foundation pursuing audit committee effectiveness. However, disclosure with regard to objectivity measures on the composition of the audit committee may recently be preferred above regulated independence characteristics. The expectation is, thus, that organisations disclose more than what is regulated to improve its credibility and enhance stakeholder confidence (Brennan & Kirwan, 2015).

When viewing the disclosure pattern of Dimension 1 the result from the optimal scaling present that out of the 26 items that formed the dimension, 50.2% of the organisations disclosed only eight or less of the items listed. Also, that only 25.5% of the organisations disclosed 20 or more of the 26 items listed in this dimension and 20 organisations disclosing no items. Thus, even though the “financial reporting quality mechanism” dimension may be regarded as a primary responsibility area of the audit committee, disclosure patterns by the organisations in the sample are not high. When comparing the items prescribed by legislation (potential 2 652 disclosure items based on the number of analyses per legislative sphere) versus the items driven by best practices (231 x 26 = 6 006), only 2 453 responses were
identified by means of the content analyses. Therefore it can be concluded that some organisations did not even disclosed all legislative requirements, and it can be assumed that voluntary disclosure would be even less.

**Table 4: Dimension 2 – Functionality and judgement responsibilities**

<table>
<thead>
<tr>
<th>King requirement</th>
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</thead>
<tbody>
<tr>
<td>Established AC</td>
<td>0.249</td>
</tr>
<tr>
<td>AC meetings minimum of two meetings</td>
<td>0.375</td>
</tr>
<tr>
<td>AC members keep up to date</td>
<td>0.324</td>
</tr>
<tr>
<td>AC consists of minimum three members</td>
<td>0.220</td>
</tr>
<tr>
<td>AC review and comment on Financial Statements</td>
<td>0.399</td>
</tr>
<tr>
<td>AC considers the need to issue interim results</td>
<td>0.465</td>
</tr>
<tr>
<td>AC review content of summarised information</td>
<td>0.620</td>
</tr>
<tr>
<td>AC engage the external auditors to provide assurance on the summarised financial information</td>
<td>0.526</td>
</tr>
<tr>
<td>AC risk management role described in charter</td>
<td>0.398</td>
</tr>
<tr>
<td>AC reports to board on its statutory and assigned duties</td>
<td>0.484</td>
</tr>
<tr>
<td>AC reports to shareholders how statutory duties were carried out</td>
<td>0.471</td>
</tr>
<tr>
<td>AC reports to shareholders their view on financial statements and accounting practices</td>
<td>0.459</td>
</tr>
<tr>
<td>AC provide summary of role, details on composition, number of meetings and activities in integrated report</td>
<td>0.474</td>
</tr>
<tr>
<td><strong>Active Total</strong></td>
<td>6.706</td>
</tr>
<tr>
<td><strong>% of Variance</strong></td>
<td>14.268</td>
</tr>
</tbody>
</table>

Dimension 2 consists of 13 of the 47 items (27.7%). Two strong themes emerged, namely the functionality of the audit committee represented by seven items addressing the functioning of the audit committee as well as reporting thereon. In terms of legislated audit committee requirements as well as best practice guidance, audit committee functionality is always one of the first aspects covered. It is only logical that requirements of responsibility can only follow after the functional aspects are established.

The second theme namely, “judgement responsibility” represented by six items, refers to activities where in addition to oversight, a higher level of involvement in external reporting is required. Brennan and Kirwan (2015) asserts that the role of the audit committee should shift from performing a review to performing an examination, where stakeholders begin to emphasise the disclosure of praxis (what you did), opposed to reporting on compliance (what you do).

Viewing the disclosure pattern of Dimension 2 the result from the optimal scaling present that out of the 13 items that formed the dimension, 57.2% of organisations disclosed information on 12 or all 13 items and 86.2% disclosed information on eight or more items. Since seven of the items refers to functionality that is mostly present in legislation it is a good indication that organisations disclosed information relating to aspects where the audit committee has a judgement responsibility. Considering the numbers, legislation drives a possible 1 345 disclosure items for all four spheres, when 2 445 disclosures were made for the items in this dimension from a possible 3 003 (261 x 13), indicating that, apart from legislation, with regard to judgement responsibility, organisations also disclosed items driven by best practice.
Dimension 3 consists of three of the 47 items (6.4%). The dimension was labelled “Internal Audit Quality” with all items related to oversight of the internal audit function and its head the CAE. The responsibility of the audit committee regarding the internal audit function is well documented (Zaman & Sarens, 2013). Zaman & Sarens (2013) continues the theme of Turley and Zaman (2007) on the value of informal interactions by the audit committee with organisational stakeholders - this time with regard to internal audit functions, stressing the role that informal processes in addition to formal mechanisms play a significant role in good governance.

For this dimension, most organisations disclosed only one or two items (75%), with 49 organisations disclosing none of the items. Furthermore, it seems that the disclosure compares with legislative compliance with 82 legislative disclosures for all four the spheres (only two items for private sector companies), yet there are 291 disclosures identified across the four spheres from a possible 693 (231 x 3). Therefore, although weak, it seems that organisations are not only driven by legislation, but also by best practices.

Dimension 4 consists of three of the 47 items (6.4%). The dimension identified a single theme that was labelled “independence of assurance providers” with all items related to the appointment of internal and external auditors. Literature strongly identifies the independence of assurance providers as a main responsibility of the audit committee (Bédard & Gendron, 2006; Zaman & Sarens, 2013; Deloitte, 2017). In fact, it may have been one of the very first motivations for the establishment of an audit committee when in the late 1930s the New York Stock Exchange recommended on the back of the McKesson and Roberts Inc. fraud, that external auditors should be selected by a special committee composed of non-officer board members (Ghafan & O’Sullivan, 2013). In Dimension 4, most organisations disclosed two of the three items (90.5%). Also, of the possible 190 disclosures for all four spheres, 471 disclosure items were identified during the content analyses from a possible 693 (68%). This indicates that not only

**Table 5: Dimension 3 – Internal audit quality**

<table>
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<tr>
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<tbody>
<tr>
<td>AC meets with internal audit annually</td>
<td>0.162</td>
</tr>
<tr>
<td>AC is responsible for the performance assessment of the CAE</td>
<td>0.344</td>
</tr>
<tr>
<td>AC ensures that IAF is subject to independent quality review</td>
<td>0.345</td>
</tr>
<tr>
<td><strong>Active Total</strong></td>
<td>4.097</td>
</tr>
<tr>
<td><strong>% of Variance</strong></td>
<td>8.717</td>
</tr>
</tbody>
</table>

**Table 6: Dimension 4 – Independence of assurance providers**

<table>
<thead>
<tr>
<th>King requirement</th>
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</tr>
</thead>
<tbody>
<tr>
<td>AC is responsible for the appointment/ dismissal of CAE</td>
<td>0.258</td>
</tr>
<tr>
<td>AC nominates external auditor for appointment</td>
<td>0.174</td>
</tr>
<tr>
<td>AC define policy and approves non-audit services by external auditor</td>
<td>0.209</td>
</tr>
<tr>
<td><strong>Active Total</strong></td>
<td>2.392</td>
</tr>
<tr>
<td><strong>% of Variance</strong></td>
<td>5.089</td>
</tr>
</tbody>
</table>
Legislation is driving the disclosure, but also, to a larger extent compared to the other dimensions, best practices.

Additional to the above four dimensions, two items could not be classified into any of the four dimensions. For the item ‘AC approves internal audit plan’, both the MFMA and the PFMA (190 organisations) drives disclosure with 130 organisations (68.4%) that did comply. As the items ‘AC chair involved in setting/agreeing AC agenda’ is not a legislative requirement for any of the spheres, disclosure was not further investigated.

CONCLUSION, IMPLICATIONS AND RECOMMENDATIONS

Scholars debate for a new dawn for research on audit committees, including research on the wider governance role, its broader social responsibility role and its relevance to stakeholders other than shareholders. With disclosure being the primary means of conveying information to various stakeholders, this paper, underpinned by the legitimacy theory, ties in with this new expectation by determining whether disclosure on audit committees are driven by voluntary disclosure (best practices) or by force (legislation). First, the term ‘best practice’ for voluntary disclosure for audit committees is established, supporting the notion that the King III guidance can be seen as world leading.

Results from this study support the assertion from practice (Deloitte 2017) that organisations have generally increased disclosure. This is supported by three of the four dimensions with 1) internal audit quality; 2) independence of the assurance providers; and 3) functionality and judgement responsibilities, being driven beyond legislation. Especially the latter dimension, refers to high level activities performed by the audit committee, on top of the normal oversight duties. For the dimension, ‘financial reporting quality mechanisms’, including the committee’s interaction with the external auditors; the committee’s external oversight role; and its independence, disclosure is limited. Results confirm that disclosure on this dimension does not even cover the legislated requirements and it can thus be assumed that best practices are probably not covered. As this is the largest dimension, covering 55.3% of all the items, whether disclosure has really increased (as indicated in the Deloitte report) is debatable. The disclosure patterns for Dimension 1 are concerning. Although it cannot be deduced that the activities are not being performed (or it has just not been disclosed), it is only through disclosure that information can be shared with stakeholders to enhance confidence and peace of mind.

Although the results of this study supports the legitimacy theory for audit committee disclosure, more could be done. Policy makers, management and the audit committee should take note that although the study supports the notion of voluntary disclosure, there is still areas that needs improvement. The study adds to the body of knowledge on voluntary disclosure of audit committee best practice to be
considered by policy makers and management on what may strengthen the credibility and effectiveness of audit committee oversight as perceived by the stakeholder. The result also presents a foundation for further research within this area, in particular focusing on expanded disclosure within the recommended framework for substantive information on the quality of the audit committee function, opposed to compliance.

REFERENCES


A LEADERSHIP COMMUNICATION VALUE CHAIN MODEL

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ABSTRACT

This study focuses on the role of communication in the leadership process. The point of departure is Kaiser and Overfield’s (2010) leadership value chain (LVC) as this model reflects the link between leaders and organizational effectiveness. Although communication is described as the underpinning foundation of all the leadership domains, it does not feature at any point in the LVC. As the essence of leadership is communication, the goal of this study is to develop a leadership value chain model that incorporates communication. This study unfolded in five phases and included a literature review, an evolutionary conceptual analysis of leadership communication, and a phenomenological research strategy. During the fifth phase of the research, the insights gained from the empirical research were merged with the data from the first two phases to propose a framework and guidelines for integrating communication into a leadership value chain model.

Keywords: Leadership communication, Leadership value chain model (LVC), Leadership communication value chain model (LCVC), Phenomenology, Conceptual analysis, strategic integrated communication

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INTRODUCTION

Leadership effectiveness is critical within organizations, with leader communication ranking as top critical driver of organizational results (Madden 2011). It is therefore essential that organizational leadership consist of capable communicators as this can play a significant role in the value creation process of the organization. Unfortunately, discussions on the topic of leadership communication in business literature are rare, which highlights the fact that the field of organizational communication has had limited engagement with the world of leadership (Tourish & Jackson 2008). The point of departure in this study is the leadership value chain (LVC) (Kaiser & Overfield 2010:165) as this model aims to
reflect the link between leaders and organizational effectiveness. Although literature describes communication as the underpinning foundation of leadership, it does not feature at any point in the LVC. This study addresses this void and focuses on the role of communication in the leadership process.

**LEADERSHIP IS COMMUNICATION**

Communication is key in relationships and coexistence in environments where results are expected. Communication is also critical for accelerating change and improving organizational performance, particularly when it comes to aligning and motivating employees. A company’s leadership behavior has a direct impact on the bottom line, and poor leadership communication hits the bottom-line far harder than good leadership communication helps with enhancing it (Ketchem Leadership Communications Monitor 2013). Communication-based leadership research has significantly challenged some of the managerially focused, universalist presumptions of traditional leadership research (Fairhurst 2001). Hall (2007:197) emphasizes leader talk in organizations and its role in constructing collaborative, context-driven meaning for organizational members. Fairhurst and Sarr (1996) constructed the leadership role as creating and managing meaning in the organization that influences the reality experienced in that specific organization. With this, these authors have placed communication at the core of leadership.

In 1998 Anderson predicted that human capital would become a core commodity in complex and competitive landscapes. Today, it is an accepted fact that employees make significant contributions to the overall success of an organization. Research indicates that organizational performance markedly improves when communication is permitted to flow uninterrupted and employees are empowered, provided incentives, and given the necessary resources to perform at optimal level (Ahmed, Shields, White, & Wilbert 2009). Contrary to the view that is usually assumed within the majority of the literature on leadership, that communication is an essential component or aspect of the leadership relationship, a prime leadership skill (Ashman & Lawler 2008), or one of the most important tools in a leader’s toolkit (Tourish & Jackson 2008), in this study leadership is equated to communication.

**PROBLEM INVESTIGATED**

Despite the fact that many well-documented examples of research indicating the correlation between leadership and organizational effectiveness exist, it is still unclear exactly how leaders make a difference to the organisation’s bottom-line (Joyce, Nohria & Roberson 2003). In an attempt to establish this, the need for the LVC was identified. Kaiser (2005:3) defines leadership as fundamentally concerning influencing individuals to transcend their selfish short-term interests, and contribute to the long-term performance of the group, therefore building a team and guiding it to outperform its rivals.
Communication is essential in both these instances. It was therefore disconcerting to find that the role of communication in the leadership process is not included at any point in the LVC (Figure 1).

**Figure 1: The leadership value chain**

![The leadership value chain diagram](image)

Source: Kaiser and Overfield (2010:168)

**RESEARCH OBJECTIVES**

The goal of this study is to develop a leadership communication value chain model. In order to attain this goal the following research questions are relevant:

What does the leadership value chain model entail? (Contextual research question)

Which organizational communication approach would enhance leadership communication? (Contextual research question)

What is leadership communication? (Conceptual research question)

How does employee's perceive leadership communication? (Normative research question)

How should leadership communication be applied to be more effective? (Theoretical research question)

**RESEARCH METHOD**

This study was approached from a qualitative paradigm and is exploratory, descriptive and contextual in nature as it attempts to explore and describe leadership communication from within a strategic integrated context. The research was divided into five phases: Phase I consisted of two sections, a literature review of the leadership value chain, and a literature review of organizational communication. The rationale of this phase was to explore the context in which leadership communication takes place. Phase II of the research entailed an evolutionary concept analysis (Rodgers 2000) of leadership
communication. During Phase III the data gathered during the first two phases was synthesized to develop a LVC model that incorporates communication and is applied from within a strategic integrated communication perspective. Phase IV comprised a hermeneutic phenomenological study. In-depth interviews were conducted with respondents regularly exposed to leadership communication. Groenewald’s (2004:12) phenomenological research questions were put to participants during phase IV to explore experiences, feelings, beliefs and convictions. (These questions are indicated in the results section.) Groenewald’s (2004) five step explication process were used in Phase IV. A final step was added in which the results were validated. The unit of analysis was employees exposed to leadership communication. The population of the sampling design was members of the Free State chapter of PRISA (Public Relations Institute of South Africa), who are employees of organizations in the services industry, on the receiving end of communication from leadership. The sample was drawn by means of non-probability and purposive sampling (Welman & Kruger 1999). The inclusion criteria were first of all that the participants were members of the Public Relations Institute of South Africa’s (PRISA) Free State chapter, because these individuals work within a communication context which should make them more sensitive to communication related matters. Secondly, only members of the PRISA Free State chapter, employed in organizations in the services industry, exposed to leadership communication from top or middle management, were included. A theoretical sample was drawn based on “saturation of categories” Charmaz (2006:189), i.e. theoretical saturation. The sample size for phase IV was 12 (participants). During Phase V the insights gained from the empirical research (in Phase IV) were merged with the model proposed in phase III to create a leadership communication value chain model.

RESULTS AND FINDINGS

This section is structured around the research questions of the study.

What does the leadership value chain model entail?

The primary use of the LVC (see Figure 1) is to identify factors to consider that influence the way in which individual leaders contribute to organizational effectiveness. Although the LVC is a valuable measuring instrument for determining the impact of leaders on organizational outcomes, there are still certain areas of leadership that need to be addressed. Leadership communication was not included at any point in the LVC. This leads one to construe that the majority of business leaders, and academic scholars alike, fail to understand the important role that communication plays in the leadership process.

Which organizational communication approach would enhance leadership communication?

A review of organizational communication literature highlighted the importance of an integrated approach (Einwiller & Boenigk 2012). Strategic integrated communication (SIC) is needed to enhance the establishment of strong and trusting relationships with stakeholders. An integrated communication
strategy also contributes to consistency of, and strategic intent in messages, which have a positive influence on the organizational reputation and image (Fombrun, Gardberg & Sever 2000). However, for SIC to be successful, it should be an organization-wide endeavor implemented on a strategic level. This requires that leaders grasp the absolute importance of the strategic and systematic management of an organization’s communication. The overview of literature provided sufficient reasons to conclude that a strategic integrated approach to organizational communication are beneficial to an organization, as it could potentially impact the bottom-line and add value (Niemann & Grobler 2007).

**What is leadership communication?**

It was established that leadership today should be approached from a socially constructed and relational point of view (Fairhurst & Grant 2010) where meaning is co-created by the leader and those that he/she is communicating with. Leadership communication was found to be a unique and complex form of communication that directly impact the organizational bottom-line (Fairhurst & Connaughton 2014) and is not easily applied in practice. The very close relationship and inseparable nature of leadership and communication was also established (Tourish & Jackson 2008). From the historical evolution of the concept, it was concluded that, contrary to the past, leadership communication’s focus is not merely on the influence of the individual leader, but also on the leader’s interaction with the individual, the group and team, and the organization as a whole. This underlines the importance of the human element in organizational communication. It was further found that in order for leadership communication to be effective it should be authentic, ethical and communicative in nature. It is therefore imperative that it should be a transactional and people-centered endeavor that is dialogical and transparent. In other words, a communicative approach to leadership communication, where the establishment of relationships with all stakeholders is of the essence, should be followed. Respect and clear values should be an integral part of this process.

The lack of definitions of leadership communication indicated that this important phenomenon did not receive the attention it deserved. It is important for leaders to take note and be aware of the implications that effective leadership communication can have for the organization. Despite the realization that no one management or leadership approach will be sufficient to meet existing challenges, it was concluded that a fundamental principle agreed on is the need for communication. Effective leadership communication is focused on a constructionist and relational approach where meaning is co-created and where communicative leadership, dialogue, listening and understanding as well as sense-giving is of the essence. The need for leadership communication to be an integrated and strategic endeavor was also emphasized. Only when applied in this manner would the formation of relationships of trust and mutual respect between employees, other stakeholders, and leaders be possible and would organizational functioning and value addition be improved. Furthermore, when leadership
communication is effective it enhances organizational commitment and positively influence the organizational culture and climate.

In this study, leadership communication is defined as a highly complex, socially co-constructed and interactive phenomenon that takes place on different organizational levels between a leader and an individual, group/team, and/or organization (Barrett 2008, 5). It involves strategy, engagement and execution and has as its purpose the controlled transfer of meaning (DeChurch, Hiller, Murase, Doty & Salas 2010). Leadership communication uses the full range of communication skills and resources to overcome interferences and to create and deliver messages that guide, direct, motivate or inspire others to action” (Barrett 2008: 5).

When considering the attributes, antecedents and consequences of leadership communication uncovered in the concept analysis, it was concluded that attention should be paid to these aspects to improve the quality of leadership communication in the organization. This in turn could add value to the organization as it was clear from the findings that effective leadership communication positively influences the organizational bottom line.

How does employee’s perceive leadership communication?

Respondents indicated that many problems were experienced with the communication received from leadership in their different organizations. It also became evident that the majority of the leaders that were referred to did not have the necessary communication skills to be proficient communicators. Communication was also not a top priority on their to-do lists. It seemed that the communication received from these leaders affected the morale and job satisfaction of respondents, as well as their performance in the workplace. The conclusions related to each interview question will now be discussed.

How do you experience the leadership communication of your organisation?

The communication received was perceived as problematic and basic communication principles were found absent. A general lack of communication existed and an absence of communication was also detected. Communication was mostly one-way and no provision was made for feedback from respondents. Top-down communication seemed to be the norm. Communication received was also of poor quality and often insufficient and unclear. A lack of interpersonal communication skills compounded the problem, as leaders exhibited insensitivity to non-verbal cues and were also unable to establish meaningful relationships with employees. Furthermore, communication was perceived as unsupportive, condescending, cold, detached and strained. Respondents did not always receive information necessary for the proper execution of their jobs, and indicated a total disregard for communication from some leaders.

Responses included statements such as:
*...but the communication does not come from management. We as communication practitioners are there to help leaders to communicate, not to communicate on their behalf, but we communicate on their behalf.*

*In our department the communication is exceptionally pathetic. No communication takes place.*

*They hardly ever share information and when things change you are not aware of it. You function by trial and error.*

A silo approach to communication was reported by some respondents, with *interdepartmental communication* described to be *inadequate*. This resulted in little integration of work activities which was very *demotivating* to respondents as certain tasks had to be repeated. This had a serious *effect on the work teams* as an absence of team spirit was reported.

A very important point that surfaced was the fact that communication was experienced as *unethical, disrespectful* and *dishonest*. This has serious implications for the establishment of relationships of trust between leaders and their followers. Where trust is absent communication cannot be successful as leaders will be perceived as inaccessible, and employees will not have the confidence to approach them about important organisational issues.

Finally, an overall *lack of or under-utilisation of communication structures* had an impact on the communication. Without a proper communication structure and integration of messages, there will be *no message consistency* to internal and external stakeholders alike. Different departments did not know what was expected of them, and messages to external stakeholders were also not effective. It was concluded that organisational structures did not always provide the necessary support. The lack of communication structures also led to respondents not knowing where to report and what channels to follow when communicating.

**How does your leader’s communication make you feel?**

Interaction between leaders and the respondents was *found lacking and hardly any positive relationships existed*. It seemed as if the leadership communication employed had a very *negative impact on the respondents’ wellness*. The feelings reported by the respondents led to the conclusion that the quality of the leadership communication influenced employees negatively and that frustration, distrust and unhappiness prevailed. The way in which some leaders communicated caused respondents to feel inferior and powerless, which in turn led to disheartenment and respondents feeling demoralised. Respondents also indicated that they *regularly felt stressed* and unsafe in the workplace, which affected their functioning. It can be concluded that this led respondents to feel *emotionally abused, not good enough and disrespected*, as well as unhappy in their work environment. This had an impact on the respondents’ job satisfaction. Examples of responses included:

*It has an influence on your attitude towards your work. It makes you negative. You don’t want to support work initiatives.*
*It makes me feel as if the road is not level. There are obstacles in the way.

*I feel rebellious.

**How should an effective leader communicate?**

In this section, four themes emerged from the data. Firstly, it was found that leadership communication should be **communicative** whereby communication is the central aspect of leadership and constitutive of leadership. It was stated that leaders should to pay attention to important aspects such as dialogue, effective listening and understanding when communicating with subordinates. The importance of supplying feedback on communication received from employees, as well as receiving feedback with an open mind and without a preconceived agenda, was stressed. Furthermore, the respondents expected communication to be an **inclusive process** that is **meaning-centred** and **interactional**, and where **interpersonal exchanges** between the different parties are of the essence. The necessity of **frequent** and **adequate** communication was also indicated.

The second theme emphasised the importance of taking a **relational approach** to communication. The importance of **interpersonal communication skills**, being able to communicate in a professional manner, as well as being diplomatic and tactful, was indicated. **Emotional intelligence** was seen as one of the prerequisites for being an effective communicator, as this would allow the leader to **show insight and understanding** when communicating, and enables the leader to **adapt the communication to a specific context**, and be **audience and recipient sensitive**.

Thirdly the importance of **authentic and ethical communication** were viewed as very important as this allows for **transparent, honest and unambiguous communication** that would lead to the establishment of **trusting relationships**.

A final theme highlighted was the need for communication to be used **strategically**. The need for a **communication structure** and the inclusion of communication in the overall organisational strategy, as well as the need for a **communication strategy**, were mentioned repeatedly. It was also suggested that communication should be **integrated** into all the organisational functions to encourage the establishment of a culture of collaboration to enhance teamwork and team spirit, and counter silo functioning.

**What is the contribution that effective leadership communication can make to an organisation?**

The responses to this question were categorised into two sections. The first section pertained to the **impact** of the leadership communication **on the organisation**, and the second section pertained to the influence that effective leadership communication could have **on the individual**. These findings are presented in table 1 below.
Impact of more effective leadership communication on the organisation:
- Higher productivity and efficiency
- Improved organisational effectiveness
- Establishing an environment of trust and respect
- Enhancing a positive organisational culture and climate
- Positive impact on organisational reputation
- Provides direction to employees
- Increase turnover of organisation
- Better informed workforce

Impact of more effective leadership communication on the individual:
- Positive employee identification
- Group and task cohesion
- Improved leader-member relationships
- Employee and job satisfaction
- Innovativeness amongst employees
- Freedom of expression by employees
- Collaboration amongst employees
- Organisational commitment
- Improved susceptibility to change
- Empowered employees
- Enhanced emotional well-being
- Motivated employees
- Improved employee wellness
- Improved efficiency
- Improved service delivery
- Foster loyalty towards organisation
- Improved morale amongst employees
- Sense-giving

Aspects that were not established during the concept analysis, but surfaced in the data, were added to the conclusions made. In connection with the influence of effective leadership communication on the organisation it was added that effective communication from leaders provided employees with direction, and assisted in having a more informed workforce. All of the abovementioned aspects ultimately contribute to the emotional well-being of employees.

PRACTICAL MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

Research by KETCHUM done since 2013 up to 2016 has shown that CEOs and organizational top management constantly rate communication as one of the top three skills that a leader should possess. It is therefore clear that there is a greater awareness of the importance of leadership communication. Unfortunately, it is still not receiving the attention that it warrants. The omission of communication in a measuring instrument such as the LVC is proof thereof. Leaders should use all available resources to add value to their organizations to survive in the harsh and evolving conditions. The LVC was developed with the intention of assisting leaders in this daunting task. In the ensuing section the LCVC model (see figure 2) is presented in reaction to the final research question, namely:

*How should leadership communication be applied to be more effective?*

Figure 2: A leadership communication value chain model
The significance of having an IC strategy in place has never been as important as in the current organizational environment where survival has become a constant struggle. An IC approach to...
communication enhances strategic consistency, and is focused on portraying a unified and consistent message to all organizational stakeholders. The value of IC lies in the competitive advantage that it can assist the organization to obtain (Niemann & Grobler 2007). As IC is an organization wide endeavor, it is important that leaders have a thorough understanding of the concept of IC, and what it entails as this will enable them to underwrite and support the strategic implementation thereof. As stated above, an IC approach can assist in adding value to the organizational bottom-line by providing a competitive advantage. It is therefore suggested that leadership communication should be applied within an SIC context. A leadership communication value chain model is suggested to enhance the effectiveness of a leader’s communication (Figure 2). Each of the different domains are depicted in the circles of the model.

Domain 1: Leadership characteristics
A leader’s characteristics are the distinguishing features that make him/her unique and that influences how he/she leads. Kaiser and Overfield (2010) divided the leader characteristics into three types of capital, namely psychological, intellectual and social capital. The first domain of the proposed model refers to these three variables. Communication can and does play an important role in all three types of capital. Interpersonal communication skills, as well as communication competence, are essential aspects required to enhance leadership characteristics.

Domain 2: Leadership communication attributes
As with the first domain, this second domain is specifically focused on the leader as individual. The attributes of leadership communication, as were discovered through the concept analysis, supply the characteristics of the phenomenon. In order for a leader to communicate effectively in any context, a number of guidelines are presented to improve leadership communication. These entail that leadership communication should be:

- Communicative, where communication is deemed central to leadership, defines leadership and is constitutive of leadership
- Meaning-centred, in order to frame the situation and provide employees with a “map” or direction for action
- Dialogical, to establish relationships through high quality contact between leaders and followers that are open, creative and meaningful, and can lead to ethical organisational learning and change
- Discursive, to allow for the co-construction of meaning through talk and through social interaction processes that allows leaders and followers to work together in meaningful ways to reach desired outcomes
- Dyadic, to ensure the formation of unique one-on-one relationships between a leader and each of his followers through interpersonal exchanges
- Interactional, as this assists in structuring organizational reality and influence leadership perceptions among employees
- Interpersonal, to establish relationships and to enable parties to converse and negotiate definitions for their relationships as they share the roles of sender and receiver and become connected through mutual meaning creation
- Transactional, to ensure an ongoing and changing process in which sender and receiver roles are interchangeable and senders and receivers are able to influence each other’s interaction
- Relational, as leadership is co-constructed in a social interaction process and is neither leader, nor follower-centric
- Rhetorical, where humans as symbol-using creatures, use language to make sense of reality, while providing techniques to build connections with other human beings
- Socially constructed, as meaning is created through dialogue among groups of people in a particular context
- Strategic, to ensure the shaping of meaning, building of trust, creation of reputation, and management of symbolic relationships with internal and external stakeholders through the communication of strategic decisions and the creation and communication of a vision of the future;
- Sense-making, as a process that is discursive and can assist in generating a point of reference against which a feeling of organization and direction can emerge
- Communication competence, as leadership is enacted through communication, and only when the necessary knowledge and skills are present can this process be executed successfully
- Authentic, being open, accurate and transparent
- Proficient providing continuous, frequent, and timely messages

**Domain 3: Antecedents of leadership communication**

Concept antecedents are events, conditions, or precursors that are evident prior to the occurrence of a concept, in other words antecedents are the aspects that need to be in place in order for leadership communication to be successful and add value to the organisation. Domain three focuses on the organisational context and conditions required for leadership communication to be more successful. Based on the antecedents of leadership communication, guidelines to enhance such a context entail the creation of:

- A culture of ethical and caring behaviour where others are treated with dignity and respect preside.
- An environment that supports respectful engagement where interaction conveys a sense of value and worth to those being communicated with.
- Enabling conditions where processes, structure, social interaction and organizational wide relationships are of the essence.
- Alignment between the goals of the individual and the higher level objectives of the organisation
- Sustainable engagement that receives continuous attention
- An awareness of the context and sensitivity to the context in which leadership communication is taking place
- The most relevant leadership communication style
- A cultural sensitivity where cultural barriers and differences receive attention
- Network relationships which are important as leaders are positioned in networks in different ways
- A nurturing organisational culture where employees feel safe and protected.
- Sensitivity towards the importance of emotional intelligence being part of the leader’s make-up.

Domain 4: Levels and Processes of leadership communication

The purpose of this domain is to highlight the importance of recognising the different levels and processes in which leadership communication take shape. Leadership communication is performed at the strategic and operational levels of an organization. The strategic level generally refers to what should be done and is concerned with the integration of interactions in an organisation. The operational level is focused on how this should be done, and underlines the characteristics necessary for individuals to work together in a cohesive and meaningful way. The processes relevant to leadership communication are socially constructed and bound by systems characteristics. The complex systems perspective is incorporated in this domain and involves individual, team/group, and organizational processes. This domain reflects the complex and multi-dimensional nature of leadership communication.

Domain 5: Consequences of effective leadership communication

Domain 5 provides an overview of the probable consequences of effective leadership communication. The impending results of effective leadership communication (on the individual as well as organizational level) are indicated in the proposed model.

Domain 6: Organisational effectiveness

The ultimate aim of this study was to incorporate communication into the leadership value chain model to enhance organizational effectiveness and add value to the organizational bottom-line. Most research on how strategic leaders affect organizational performance is based on a financial perspective rather than value creation in multiple spheres. Focusing on the Triple Bottom Line (TBL) has become essential for business success. The final domain reflects five organizational spheres where the impact of effective...
leadership communication becomes visible and can be experienced. The five spheres include productivity, financial, customers, human resources and purpose. These spheres are aligned with the elements of the TBL as the financial sphere in the model represents the financial aspect of the TBL which signifies profit; the stakeholder sphere is embodied by the people aspect; and the purpose sphere denotes the planet component. Domains 5 and 6 focus on the consequences of effective leadership communication and the way in which it can enhance organizational effectiveness.

CONCLUSIONS

All of a leader’s actions communicate meaning to subordinates, indicating the symbiotic relationship between communication and leadership. This paper adds to the body of knowledge defining the concept, and clarify the important elements of leadership communication. The proposed model serves as framework to enhance or add value to organizational effectiveness. Further research that focus on the practical application of this model as training and/or measuring instrument is suggested.

REFERENCES


MENTORING, BUSINESS CASE COMPETITOR DEVELOPMENT AND REVERSE MENTORING AT GLOBAL BUSINESS CASE STUDY COMPETITIONS

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ABSTRACT

Even though management education has a long tradition, it has received an immense amount of attention from both scholars and practitioners in the last few decades. Most research efforts have aimed at improving classroom education processes, programs and outcomes. Only a limited amount of research has focused on extracurricular activities such as mentoring top talented students for international business case competitions. This paper aims to examine the knowledge flow between mentors and strategic management undergraduates while they prepare for international business case competitions. This flow provides the opportunity for the development of phronetic skills, knowledge and leadership potential of undergraduates. To understand the flow, 55 mentors worldwide were examined to provide evidence of their mentoring practices, perceived development of undergraduates and reverse learning of the business schools’ top talents. Our results indicate that extracurricular mentoring of business case competitors strongly affects their development and creates recursive effects on the development of mentoring activities.

Keywords: mentoring; reverse mentoring; competition; case method (teaching technique); college students

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INTRODUCTION

‘Homines dum docent discunt’ – Latin for: ‘People learn while they teach’
-Seneca (Epistulae morales ad Lucilium, Letter 7, section 8)

Strategic management and leadership education has been a focal point of recent scholarly and practical research (Wright, Paroutis and Blettner 2013; Bower 2008; Doh 2003). Recently important questions have
been raised on the effectiveness of strategic management educational processes (Starkey, Hatchuel and Tempest 2004; Mintzberg and Gosling 2002), needs for more practically applicable strategic tools and techniques (Greiner, Bhambri and Cummings 2003; Ghoshal 2005), and further use of these tools and concepts in the workplace (Jarzabkowski, Gulietti, Oliveira and Amoo 2013). The example from Singapore showed that an innovative way of teaching to students can affect the development of regional innovative systems in higher education institutions (Lombardi et al. 2017).

Even though case study analysis method has not always been constantly growing over the last century (Bridgman, Cummings and McLaughlin 2016), it still seems to be the most advocated approach in strategic management education (Garvin 2003; Raelin 2009). Academics posit that case studies provide authentic, active and pragmatic applications of theory to school practices (Sudzina 1997). The focus of this study is on the specific use of case method in undergraduate business case competitions. The rationale for analyzing the case study method in this niche context is the promotion of awareness and use of evidence-based management concepts (Gamble and Jelley 2014).

Corner et al. (2006) finds that grounded learning in strategy can be achieved by incorporating business case competitions into the classroom. It is further noted that case competitions play an important role in the future development of managerial skills (Sachau and Naas 2010). Although business schools frequently use business case competitions, only a sparse amount of scholarly and practical research has put an emphasis to this phenomenon.

We aim to fill the gap in the present body of knowledge by examining the process of knowledge transfer from mentors to undergraduates and reverse knowledge flows after undergraduates ‘close the academic-practice gap’ (Rynes, Bartunek and Draft 2001: 348) at business case competitions.

Despite the importance of these topics, to the best of our knowledge, a study has never been conducted in this space. For the construct of our model we were inspired by the multistage mentoring process theory (Humbert and Ros 2016), the importance of reverse mentoring as a way of social exchange between generations (Marcinkus Murphy 2012), and the importance of teacher leadership identity development (Sinha and Hanuscin 2017).

In the succeeding sections we build a case for premier global business case competition as a context for our study. We then develop a theoretical background, review works related to mentoring, case contesters’ development, and reverse mentoring. Afterwards, we thoroughly elaborate on methodology and present study results. Finally, the discussion will explore the context of our main findings, present theoretical and practical contributions, implications, strengths and limitations of the study. We offer several areas for follow-up research studies.

**STUDY CONTEXT**
Prior to elaborating on a theoretical model, we will set the context by highlighting the benefits of premier global case competitions. Presently, many business schools use business case competitions for strategic management education as well as other business specific disciplines. Case competitions originated in the United States and participation was restricted to national schools, but the phenomenon has diverged around the globe in last two decades (Hadler 2011).

As an evolving concept, there is limited evidence on which business case competitions can be truly classified as ‘premier’ contender. The most comprehensive list of premier global business case competitions currently available, was compiled by the Auckland University (see Appendix 1). The real world cases at these competitions highlight strategic challenges faced by global business leaders. The ranking provided by the Auckland Universities is based on a survey among mentors from competing schools worldwide. Statistics show the number of annually organized premier international case competitions has increased from 13 in 2011 to 22 in 2016.¹

Although the case format may play an important role in business case competitions (Menna 2010), it only differs slightly between the premier global competitions. Each team is provided with a real-business case(s), which they have not seen before and are sequestered in a room to prepare for a limited timeframe. Each business school selects a team of four students from diverse backgrounds specializing in the fields of marketing, finance, accounting, economics, information technology, engineering or international business (Damnjanovic, Proud and Ruangwanit 2016). The tasks they need to solve are strategy-based, which makes them complex and unstructured by nature (Umble, Umble and Artz 2008).

Business case competitions require a deeper level of experiential and integrative exercises for students (Navarro 2008). Each team needs to present their case solutions to a jury panel judged by outside company executives (usually top management or consultants). Participants in all of the varying formats exercise skills and knowledge on a real-world case from an actual organization, with support of corporate representatives who can provide some facts and insights and occasionally limited professional advice.

A jury panel evaluates the solutions presented by competitors as well as a specific question and answer component. The jury evaluation rubrics usually cover the content, presentation skills and the question and answer part.

The undergraduate student teams are mentored prior, during and after the competition. Mentoring is not limited to faculty academics but may include other university staff, graduate students (alumni), peers or management consultants (Zalaquett and Lopez 2006). Mentors are academic or business ‘veterans’ highly prepared for educative roles at competitions (Stanulis, Little and Wibbens 2012). Mentoring case competitors is a challenging task which encompasses high commitment regarding the

¹ http://www.champions-trophy.co.nz/international-results/
selection of team, and development of leadership and technical skills within the team (Dlacic, Damnjanovic and Ribaric 2017)

THEORETICAL BACKGROUND

Mentoring Business Case Competitors

Mentoring has received immense attention from scholars ever since Kram formally introduced the concept into the literature (Kram 1985). Scholars still struggle to find consensus on the definition, main attributes and outcomes of mentoring (Crisp and Cruz 2009). Roberts (2000: 162) generally defines mentoring as “a formalized process whereby a more knowledgeable and experienced person [mentor] actuates a supportive role of overseeing and encouraging reflection and learning within a less experienced and knowledgeable person [protégé or mentee], so as to facilitate that person’s career and personal development”. From an educational point of view, Murray (2001) stresses the purpose of learning and developing more phronetic skills and practice-based competences of a protégé.

Based on our experiences from mentoring business case contesters, case competitions are centered on educating undergraduates and developing their integrated strategic approach to solving real-world problems. The logic and the structure of case competitions provide a myriad of learning benefits for students. As advocated by Corner et al. (2006) they include creating a real-world experience, optimizing learning transfer, integrating theory and practice, and shifting learning responsibility to the students. Additional values of global competitions include: familiarizing participants with multi-cultural environments (Köhler et al. 2013), memorable experiences, peer bonding, social capital development, and exposure to job opportunities (Gamble and Jelley 2014).

Nonetheless, joining the premier league of global business case competitions requires high outcomes and the ‘competition part’ in business case competitions certainly plays an important role. In order to achieve high scores and rankings, business school teams [mentors and competitors] need to gain and maintain their strategic educational competitive advantages. Winning at global case competitions requires the creation of dynamic capabilities – connecting multidisciplinary knowledge and specific, and difficult to imitate skills created within business schools.

Styles and Outcomes of Mentoring Business Case Competitors

Mentoring has been examined from the different developmental stages of a protégé. Eby et al. (2008) explains the difference in youth, academic, and workplace mentoring. From this point of view, business case competitors are a transitional cohort, sliding from study to the career-entering phase. On one side, the style and operating mode of mentoring business case contesters is academic by nature (Van Dyne 1996; Ortiz-Walters and Gilson 2005). On the other side, at the transitional phase from the early
adulthood to workplace entrance, a protégé is focused on building a stable professional identity (Levinson et al. 1978). Accordingly, the aim of business case mentoring shows great similarity to workplace mentoring, as it aims to enhance personal and career development (Kram 1985), rather than psychosocial support (Waldeck et al. 1997). Huwe and Johnson (2003) report that students who establish strong mentoring relationships with their academic advisors and experience enhanced personal and professional development.

The scholarly voices are unequivocal about the possible outcomes of the mentoring process. Mentoring has been viewed as a mechanism for knowledge transfer (Fleig-Palmer and Schoorman 2011). Cunningham (1995) indicates that mentoring programs at business schools are aimed at professional preparation of students. Therefore, the minimum mentoring outcomes are centered on the advancement of protégés phronetic (industry and labor market-based) knowledge and skills. Accordingly, we hypothesize that:

H1: Case competition mentoring improves mentees’ knowledge of theory and practice of management.

An important prerequisite for good mentoring practices is the excellence in mentor-mentee communication, particularly at global case competitions. Mentors need to encourage appropriate communication present material in a format appropriate to the role, the task, skills with other team members, and the audience and interpersonal skills - working with others. Exploring the effects of case-based learning on communication skills and learning motivation in mentoring at case competition we should underline that case-based approaches cultivate analytical thinking, increase understanding of core managerial principals, and enhance communication skills and self-motivation for both students and mentors. Reflections from past participants (students) suggest that the competition is a more memorable university experience than are obligatory prerequisites for career qualifications. (Ali, Grund and Koplan 2011). Case study competitions improve teamwork, critical thinking and communication skills, which are the skills that employers want from their new employees (Burke, Carter and Hughey 2013). Mentors participation in case study competitions can enhance their communication skills, making students more suited to negotiate an increasingly competitive work environment and job opportunity.

The concept of “leadership communication,” an approach to business communication is create to help senior managers be better leaders in the organizational context (Barett 2006). Therefore, we hypothesize that:

H2: Good case study mentoring improves mentees’ communication skills.

Nevertheless, these are not the only outcomes that mentoring provides to business students. Even early studies in mentoring report on psychosocial benefits, such as leadership development. Dziczkowski (2013) states that “many of the world’s finest and most successful leaders have trusted mentors”. Also, Lester et al. (2011) conducted an investigation in the United States Military Academy and reported
positive mentoring impact on leadership efficacy development. This study provided a good analogical context for our study. As the roots of strategic management are in a military strategy, military education could be helpful in strategic management education as well. Following the aforementioned, we hypothesize that:

H3: Good case study mentoring improves mentees’ leadership potential.

According to research from Qatar (Al-Sada, Al-Esmail and Faisal, 2017) better understanding of organizational culture and leadership styles influence on better satisfaction, commitment and motivation.

Developmental Relationships and Reverse Mentoring

In the last decade, mentoring scholars and professionals have been focused on a specific inverted type of mentoring – learning from current or former protégés. This type of mentoring is called ‘reverse mentoring’ as it reverses traditional roles in mentoring (Cotugna and Vickery 1998). The emphasis in reverse mentoring alters from the unilateral transfer of knowledge from the expert to the less experienced to the reciprocal intergenerational learning (Tempest 2003). Reverse mentoring may exhibit some overlaps with traditional mentoring. However, it has some distinct features including the unequal status, knowledge sharing styles, emphasis on professional and leadership skills and commitment to the shared goal of support and mutual learning (Marcinkus Murphy 2012).

Humbert and Rose (2016) theorized that reverse mentoring is the final phase of the initiation-cultivation-separation-redefinition mentoring process. The main features of this phase are reciprocal information sharing, personal and professional feedback, confirmation and emotional support (Kram 1985). Naturally, only some, but not all mentoring relationships will eventuate to a peer-based relationship (Kram 1983). Kennecke, Hauser and Weisweiler (2016) find transformational leadership to have an important mediating effect on reverse mentoring.

Once new knowledge is created among business case competitors it is likely to outflow vertically, similar to the knowledge flows in organizational subunits (Schulz 2001). Reverse mentoring is a forward-thinking organizational tool for cross-generational learning (Harrison 2017). From a theoretical perspective, at this phase a specific form of social exchange of knowledge emerges. Mentoring may explain how knowledge is transferred in the organization, but it takes reverse mentoring to explain how the organization [business school] learns (Lankau and Scandura 2002).

Reverse mentoring elevates the knowledge by leveraging the expertise of both mentors and protégés (Chaudhuri and Ghosh 2012) and inspires the knowledge circulation between the generations (Gerpott et al. 2016). Until now, only a few research studies have tackled the relationship between reverse mentoring and mentoring activities. For instance, Chen (2013: 205) finds reverse mentoring to have positive effects on mentoring and learning outcomes.
Based on the previous literature body and our own set of assumptions we have verbalised additional set of hypotheses that are scrutinised in this study:

H₄: Good case study mentoring results in good reverse mentoring.

H₅: The higher the level of mentees’ knowledge of management theory and practice the stronger the reverse mentoring they provide.

H₆: The higher the level of mentees’ communication skills the stronger the reverse mentoring they provide.

H₇: The higher the leadership potential of the mentees, the better reverse mentoring they provide.

**METHODOLOGY**

**Research Instrument**

We based our study on primary data and employed a questionnaire as a research tool. The questionnaire had five sections: demographics of examinees, mentoring activities, leadership potentials and development, knowledge and skills development, and reverse mentoring activities. To ensure the construct validity relevant constructs from other studies were adapted. Some items were slightly modified to best fit the context of strategic management education of business case competitors. All the items were measured on a Likert-type scale (responds were coded from 1 – strongly disagree, to 7 – strongly agree).

Mentoring activities encompassed seven inquires based principles for good practice in undergraduate education developed by Chickering and Gamson (1987). These principles entail: encouraging contact between students and faculty, developing reciprocity and cooperation among students, encouraging active learning, giving prompt feedback, emphasizing time on task, communicating high expectations, and respecting diverse talents and ways of learning.

Leadership potential and development was developed following Higgs and Aitken (2003) and Greenhalgh (2007). The main dimensions of students’ leadership development were: strategic leadership, leading capability building, leading political/stakeholder interface, leading change, intellectual leadership, leading culture awareness, building relationships and reputation, and building personal learning.

Knowledge and skills development was developed as a combination of two constructs. The knowledge development measures originated from the learning objectives of the case study assessment given in Jerrard (2005: 31). The skills development part follows the study of Melling and Gurjee (2013). A 13-item list is given in Appendix 2.

Reverse mentoring items were reworded from the Marcinkus Murphy (2012) study. These items include: knowledge sharing, coaching, exposure and visibility, skill development, challenging ideas,
networking, support and feedback, acceptance and confirmation, friendship, and affirmative encouragement.

The questionnaire was pretested by 8 faculty members to ensure question readability. Accordingly, we slightly modified and refined the questions resulting in the final questionnaire used for data collection.

**Data Collection and Sampling Procedure**

The question was distributed to mentors in an e-form via email. As the total population of case competition mentors is unknown (to the best of our knowledge there is no global database of case competitors’ mentors), we based the study on a “snowball” sampling technique (Biernacki and Waldorf 1981). This sampling relies on peer-to-peer recruitment of study participants and formation of a referral chain (Bodin et al. 2016). Although it can be a subject of various biases (see Avrachenkov, Neglia and Tuholukova 2016), the referral chain was actively controlled – particularly its initiation, progress and termination. Using the coded questionnaires, the number of referrals was controlled to limit the clustering within countries. The final distribution of answers per country is displayed in Table 1.

**Table 1 Distribution of examinees per global regions and countries**

<table>
<thead>
<tr>
<th>Region</th>
<th>Frequency</th>
<th>Percent</th>
<th>Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia-Pacific</td>
<td>12</td>
<td>22%</td>
<td>Singapore, Thailand (4), Hong Kong (3), Japan (1)</td>
</tr>
<tr>
<td>Australia &amp; Oceania</td>
<td>8</td>
<td>15%</td>
<td>Australia (5), New Zealand (3)</td>
</tr>
<tr>
<td>Europe &amp; Middle East</td>
<td>18</td>
<td>33%</td>
<td>Serbia (6), Denmark (3), Norway (2), The Netherlands, Spain, Portugal, Switzerland, Ireland, Hungary, Lebanon (1)</td>
</tr>
<tr>
<td>North America</td>
<td>17</td>
<td>31%</td>
<td>Canada (9), USA (8)</td>
</tr>
<tr>
<td>Total</td>
<td>55</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

The main field of expertise of examined case competitor mentors, was Management and Strategy (30.9%), followed by Finance and Accounting (21.8%), and Marketing and Communication (18.2%). Mentors had on average 7 years of experience in coaching case competitors (SD=5.85).

**RESULTS**

**Overall Model**

The model was constructed and analysed using the SmartPLS 3 (Ringle, Wende and Becker, 2015) that supports partial least structural equation modelling (PLS-SEM). Partial Least Squares approach has already been widely used in strategic management (Hulland, 1999) and knowledge transfer literature (Ko, Kirsch and King 2005). “The PLS-SEM algorithm estimates the path coefficients and other model parameters in a way that maximises the explained variance of the dependent constructs” (Hair et al. 2017: 82). PLS-SEM is particularly useful: (a) when working with extremely small samples such as one
in this study (n=55); (b) when model includes formative constructs, and (c) when the main purpose is exploration. Our sample size of 55 observations is sufficient under the 10 times rule. Given that the maximum number of arrows pointing at a single dependent construct in this study is four, we need at least 40 observations to achieve a successful path model estimation. This requirement was successfully met. The idea of the model shown in Figure 1 is to identify and explore a number factors that have a potential to explain substantial portion of variance of reverse mentoring as a focal phenomenon of interest.

![Image of structural model of reverse mentoring](image.png)

**Figure 1** Structural model of reverse mentoring

Table of constructs, construct definitions, items, and item labelling is provided in Table 2. All items were observed on 1-7 Likert scales.
Table 2 Table of constructs, construct definitions, construct types, items, and item/variable names

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Construct definition</th>
<th>Construct type</th>
<th>Items (given on a 1 to 7 Likert scale)</th>
<th>Variable name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mentoring</td>
<td>Extracurricular activities of leading and coaching business case competitors.</td>
<td>Reflective</td>
<td>Developing reciprocity and cooperation among students</td>
<td>Cooperation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Encouraging active learning</td>
<td>Active learning</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Giving prompt feedback</td>
<td>Feedback</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Respecting diverse talents and ways of knowing</td>
<td>Talent development</td>
</tr>
<tr>
<td>Practical strategic management knowledge</td>
<td>Phronetic (industry and labor market-based) knowledge of undergraduates.</td>
<td>Reflective</td>
<td>Systematic industrial and labor related thinking</td>
<td>Systematic knowledge</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Analyzing the complex industrial and labor relations environment</td>
<td>Phronetic analysis</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Demonstrating an understanding of theory covered in the subject</td>
<td>Theoretical knowledge</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Improving Learning and Performance</td>
<td>Learning &amp; performance</td>
</tr>
<tr>
<td>Communication skills</td>
<td>Soft skills which make undergraduates more suited for presentations and negotiations.</td>
<td>Reflective</td>
<td>Demonstrating appropriate communication skills with other team members</td>
<td>Peer-to-peer</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Present material in a format appropriate to the role, the task, the audience</td>
<td>Presentation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Interpersonal skills -Working with others (Team building)</td>
<td>Interpersonal</td>
</tr>
<tr>
<td>Leadership potential</td>
<td>Development of leadership efficacy of business case competitors.</td>
<td>Reflective</td>
<td>Development of teamwork skills</td>
<td>Teamwork</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Development of time management skills</td>
<td>Time management</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Development of presentation skills</td>
<td>Presentation skills</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Development of leadership skills</td>
<td>Leadership</td>
</tr>
<tr>
<td>Reverse mentoring</td>
<td>Reciprocal intergenerational learning to and from talented undergraduates.</td>
<td>Formative</td>
<td>Challenging ideas</td>
<td>Challenge</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Support and feedback</td>
<td>Support</td>
</tr>
</tbody>
</table>
Assessment of Reflective Measurement Models

The initial step to the assessment of reflective measurement models is the analysis of convergent validity and internal consistency. The four multiitem scales used in this model were found to have sound psychometric properties. Namely, all the reflective indicators had loadings above .70 and were significant at the .01 significance level. Each reflective indicator scored higher than .50 on the indicator reliability test, which implied that the underlying latent variables explained more than half of their observed reflective indicators’ variance, while the smaller portion of the variance remained unexplained. The only exception is Learning & performance that scored borderline value of .499 on indicator reliability. This indicator was kept as its removal did not scale consistency reliability of Practical strategic management knowledge as a construct. Furthermore, all scales scored well above .50 for average variance extracted (AVE). According to the results obtained on loadings, indicator reliability and AVE, the scales and their reflective indicators have demonstrated convergent validity. Both composite reliability (CR) and Cronbach’s α were significantly above the threshold value of .60 confirming excellent internal consistency of scales. According to our tests, all reflective measurements were well constructed (see Table 3) and well conceptualised.
Table 3 Convergent validity and internal consistency scale assessment

<table>
<thead>
<tr>
<th>Latent variable</th>
<th>Indicator</th>
<th>Convergent validity</th>
<th>Internal consistency reliability</th>
<th>Discriminant validity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Loadings</td>
<td>Indicator reliability</td>
<td>AVE</td>
</tr>
<tr>
<td>Communication skills</td>
<td>Peer-to-peer</td>
<td>0.732</td>
<td>&gt;0.70</td>
<td>&gt;0.50</td>
</tr>
<tr>
<td></td>
<td>Presentation</td>
<td>0.832</td>
<td>&gt;0.50</td>
<td>0.601</td>
</tr>
<tr>
<td></td>
<td>interpersonal</td>
<td>0.758</td>
<td>&gt;0.50</td>
<td>&gt;0.50</td>
</tr>
<tr>
<td>Practical strategic management</td>
<td>Systematic knowledge</td>
<td>0.820</td>
<td>0.615</td>
<td>0.864</td>
</tr>
<tr>
<td>knowledge</td>
<td>Phronetic analysis</td>
<td>0.846</td>
<td>0.864</td>
<td>0.790</td>
</tr>
<tr>
<td></td>
<td>Theoretical knowledge</td>
<td>0.756</td>
<td>0.572</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Learning &amp; performance</td>
<td>0.707</td>
<td>0.499</td>
<td></td>
</tr>
<tr>
<td>Leadership potential</td>
<td>Teamwork</td>
<td>0.806</td>
<td>0.611</td>
<td>0.862</td>
</tr>
<tr>
<td></td>
<td>Time management</td>
<td>0.814</td>
<td>0.611</td>
<td>0.862</td>
</tr>
<tr>
<td></td>
<td>Presentation skills</td>
<td>0.744</td>
<td>0.554</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Leadership</td>
<td>0.760</td>
<td>0.578</td>
<td></td>
</tr>
<tr>
<td>Mentoring</td>
<td>Cooperation</td>
<td>0.738</td>
<td>0.589</td>
<td>0.851</td>
</tr>
<tr>
<td></td>
<td>Active learning</td>
<td>0.727</td>
<td>0.589</td>
<td>0.851</td>
</tr>
<tr>
<td></td>
<td>Feedback</td>
<td>0.792</td>
<td>0.589</td>
<td>0.851</td>
</tr>
<tr>
<td></td>
<td>Talent development</td>
<td>0.809</td>
<td>0.589</td>
<td>0.851</td>
</tr>
</tbody>
</table>

The traditional methodological complement to convergent validity is discriminant validity (Hulland 1999). The results for discriminant validity testing is given in Appendix 3.

After assessing convergent validity, internal consistency and discriminant validity, we assessed formative measurement model. To assess the quality of one formative construct we had (Reverse mentoring) we have performed assessment for collinearity issues and the assessment of the significance and relevance of the formative indicators. When it comes to the items assigned to Reverse mentoring there were no collinearity issues identified as variance inflation factor (VIF) was well below the threshold value of 5 (see table 4). Tolerance on the other hand was well above 0.20.

Table 4 Assessment of Reverse mentoring’s items collinearity

<table>
<thead>
<tr>
<th>Items</th>
<th>TOL</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Challenging ideas</td>
<td>0.978</td>
<td>1.022</td>
</tr>
<tr>
<td>Support and feedback</td>
<td>0.978</td>
<td>1.022</td>
</tr>
</tbody>
</table>
When it comes to Reverse mentoring’s items significance and relevance, as shown in table 5 all the weight was significant at .01 significance level, while 95% confidence interval did not contain 0. Based on the findings in Tables 4 and 5 we have concluded that formative construct Reverse mentoring was well constructed and has good statistical properties.

Table 5 Assessment of Reverse mentoring’s items significance and relevance

<table>
<thead>
<tr>
<th>Items</th>
<th>Weight</th>
<th>t statistic</th>
<th>p value</th>
<th>95% conf.</th>
<th>Interval</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Challenging ideas</td>
<td>0.595</td>
<td>3.035</td>
<td>0.003</td>
<td>0.238</td>
<td>0.982</td>
<td>0.010</td>
</tr>
<tr>
<td>Support and feedback</td>
<td>0.682</td>
<td>3.771</td>
<td>0.000</td>
<td>0.186</td>
<td>0.910</td>
<td>0.010</td>
</tr>
</tbody>
</table>

Given that our measurements were well defined we proceed to path model assessment.

Path Model Assessment

We firstly assessed structural model for collinearity issues. For this step, we used the latent score estimates. When assessing the structural model for collinearity issues it was necessary to observe groups of exogenous latent variables that explain/predict particular endogenous latent variable. The results provided in Figure 4 shows that there were no collinearity issues in the path model, given that for all predictors TOL was well above .20 and VIF was well below 5.

Table 6 Collinearity diagnostic for the exogenous latent variables

<table>
<thead>
<tr>
<th>Endogenous</th>
<th>Exogenous</th>
<th>TOL</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reverse mentoring</td>
<td>Communication skills</td>
<td>0.610</td>
<td>1.639</td>
</tr>
<tr>
<td></td>
<td>Practical strategic</td>
<td>0.712</td>
<td>1.404</td>
</tr>
<tr>
<td></td>
<td>management knowledge</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Leadership potential</td>
<td>0.629</td>
<td>1.590</td>
</tr>
<tr>
<td></td>
<td>Mentoring</td>
<td>0.591</td>
<td>1.692</td>
</tr>
</tbody>
</table>

After testing for collinearity issues, we assessed the significance and relevance of the structural model relationships. The bootstrapping procedure showed that 7 out of 8 inner path weights were significant (see Figure 3 and Appendix 4). However, the Leadership potential → Reverse mentoring path coefficient had a small and insignificant weight which was unexpected. The reasons why this might have happened will be discussed in the following section.
Figure 3 T values for the path weights

Then, we assessed the level of R². In total, there were four endogenous latent constructs. Of particular interest for prediction and explanation by the model was Reverse mentoring. In the case of Reverse mentoring, the model explained 53% of its variance which is according to the marketing studies using PLS-SEM considered to be a substantial amount of variance explained (Hair et al., 2017). Furthermore, the model explains 36.3%, or more than third of the total variance of Communication skills and 27.2% of Leadership potential. The levels of explained variance in all of the endogenous constructs are very satisfactory given that we had a parsimonious model. However, if this study was considered as a customer behaviour study where models that explains 20% or more of some focal phenomenon is considered to have an excellent predictive and explanatory capability, the R² scores for Reverse mentoring, Communication skills and Leadership potential would be deemed more than satisfactory.

Table 7 R² of the endogenous latent variables

<table>
<thead>
<tr>
<th>Endogenous constructs</th>
<th>R²</th>
<th>R² adj.</th>
<th>Determination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication skills</td>
<td>0.363</td>
<td>0.351</td>
<td>Moderate</td>
</tr>
<tr>
<td>Practical strategic management knowledge</td>
<td>0.166</td>
<td>0.151</td>
<td>Weak</td>
</tr>
<tr>
<td>Leadership potential</td>
<td>0.272</td>
<td>0.259</td>
<td>Moderate</td>
</tr>
<tr>
<td>Reverse mentoring</td>
<td>0.530</td>
<td>0.496</td>
<td>Substantial</td>
</tr>
</tbody>
</table>
We assessed the effect sizes. Effect sizes ($f^2$) show the size of the predictive impact of an exogenous latent variable on an endogenous latent variable. When speaking of Reverse mentoring, Communication skills is the most important predictor, followed by Practical strategic management knowledge and Mentoring. Communication skills has a medium predictive impact on Reverse mentoring, while practical strategic management knowledge and Mentoring have a small predictive impact. It was surprising to find out that Leadership potential had no predictive impact. Also, it was very interesting to discover that Mentoring has large predictive impact on Communication skills which points to the fact that mentoring of case study competitors significantly improves their communication skills. As already mentioned, business case competition are an instrument for the development of analytical thinking, and profoundly improves the implementation of core strategic management principles learned in the classroom which supports self-confidence and enhances undergraduates’ communication skills.

Table 8 $f^2$ of the endogenous latent variables in the second-step customer’s value creation path model

<table>
<thead>
<tr>
<th>Latent Variable 1</th>
<th>Latent Variable 2</th>
<th>$f^2$</th>
<th>Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication</td>
<td>Reverse mentoring</td>
<td>0.174</td>
<td>Medium</td>
</tr>
<tr>
<td>Practical</td>
<td>Strategic management</td>
<td>0.131</td>
<td>Small</td>
</tr>
<tr>
<td>Leadership</td>
<td>Reverse mentoring</td>
<td>0.004</td>
<td>No effect</td>
</tr>
<tr>
<td>Mentoring</td>
<td>Communication skills</td>
<td>0.571</td>
<td>Large</td>
</tr>
<tr>
<td>Mentoring</td>
<td>Practical strategic management knowledge</td>
<td>0.199</td>
<td>Medium</td>
</tr>
<tr>
<td>Mentoring</td>
<td>Leadership potential</td>
<td>0.374</td>
<td>Large</td>
</tr>
<tr>
<td>Mentoring</td>
<td>Reverse mentoring</td>
<td>0.092</td>
<td>Small</td>
</tr>
</tbody>
</table>

Finally, we assessed the model's predictive relevance ($Q^2$). Using blindfolding procedure, model’s predictive relevance was estimated. It was fond that model has moderate predictive relevance for Reverse mentoring and Communication skills, and small predictive relevance for Practical strategic management knowledge and Leadership potential (Table 10). This is satisfactory given model’s parsimony. Improved $Q^2$ could be achieved by introducing more latent constructs i.e. predictors.

Table 9 Model’s predictive relevance

<table>
<thead>
<tr>
<th>Latent Variable</th>
<th>$Q^2$</th>
<th>Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication</td>
<td>0.171</td>
<td>Medium</td>
</tr>
<tr>
<td>Practical</td>
<td>0.087</td>
<td>Small</td>
</tr>
<tr>
<td>Leadership</td>
<td>0.122</td>
<td>Small</td>
</tr>
<tr>
<td>Reverse</td>
<td>0.228</td>
<td>Medium</td>
</tr>
</tbody>
</table>

DISCUSSION AND CONCLUSION
**Key Findings**

The aim of our study was to examine the development of business case competitors’ (leadership potential and phronetic knowledge and skills) through mentoring activities and a recursive effect of reverse mentoring. By examining 55 mentors from the business schools in 18 different countries that competed at premier global business case competitions, results confirm that mentoring has a high impact on business case competitors. Given all indicators discussed about, the model has good performance given its parsimony.

**Table 10 Structural model summary**

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: Good case study mentoring improves mentees’ knowledge of theory and practice of management</td>
<td>Confirmed at 1% confidence level</td>
</tr>
<tr>
<td>H2: Good case study mentoring improves mentees’ communication skills</td>
<td>Confirmed at 1% confidence level</td>
</tr>
<tr>
<td>H3: Good case study mentoring improves mentees’ leadership potential</td>
<td>Confirmed at 1% confidence level</td>
</tr>
<tr>
<td>H4: Good case study mentoring results in good reverse mentoring</td>
<td>Confirmed at 1% confidence level</td>
</tr>
<tr>
<td>H5: The higher the level of mentees’ knowledge of management theory and practice the stronger the reverse mentoring they provide</td>
<td>Confirmed at 10% confidence level</td>
</tr>
<tr>
<td>H6: The higher the level of mentees’ communication skills the stronger the reverse mentoring they provide</td>
<td>Confirmed at 1% confidence level</td>
</tr>
<tr>
<td>H7: The higher the leadership potential of the mentees, the better reverse mentoring they provide</td>
<td>Not confirmed</td>
</tr>
</tbody>
</table>

As shown in Table 11, the results support the thesis that mentoring strongly affects development of phronetic knowledge and skills of case contesters. Current body of knowledge on mentoring is marshaled around the idea that mentoring is a carrier of knowledge (Swap et al. 2004) and a catalyst of cognitive, skill-based and affective learning (Hezlett 2005). As indicated by Lankau and Scandura (2002) personal learning is a strong mediator between mentoring function and various organizational consequences. In the context of our study, personal learning tends to stimulate further knowledge flow and create distinctive competencies of business schools. These competences are created within the teams, but then transferred to new contesters via reverse mentoring.

The results indicate that mentoring strongly affects the development of case competitors’ communication skills. Teaching strategic management generally emphasizes the importance of good communication. Mentors themselves need to be great communicators, and to use their enthusiasm and provide trainings for students to excel their communication skills.

The results also provide the evidence that mentoring has high positive effects on the development of leadership potential of talented strategic management undergraduates competing at premier global business case competitions. Our findings are in line with prior studies examining the effect of mentoring on developing tomorrow’s leaders (Sosik and Lee 2002; Lester et al. 2011). Mentoring is advocated as a
powerful tool for developing leadership behaviors (Solansky 2010). It should be noted that mentoring business case contesters requires intensive mentor-protégé relationships. Accordingly, we confirmed that mentoring is a powerful tool for enhancing leadership skills but requires mentors to heavily invest their resources to mentoring activities. Similar findings were reported by Solansky (2010).

Additionally our study shows that some mentoring has its dynamics and may end up with reverse mentoring (Humbert and Rose 2016). The combined effect of leadership and phronetic knowledge and skills development among case competitors significantly affects the development of inverse mentoring. The findings are subject to the context, namely a specific kind of mentoring where protégés are highly talented management students. As talented students are a scarce resource, these kinds of mentoring relationships generally lack ‘the Paradox of Equal Inequalities’ (Feldman 1999: 253). Reverse mentoring becomes a knowledge transfer mechanism as it evolves to a peer-based relationship (Bryant 2005). The strong support of business schools for business case competitor mentoring provides a fertile soil for the development of knowledge circulation relationships. This support is an important institutional glimpse of hope for the full development of supportive and recursive mentoring (Eby, Lockwood and Butts 2006). Ending up with a peer-type mentoring is not a finding to be generalized to all mentoring activities and processes.

The only hypothesis (path) not confirmed by the study results is that leadership development will affect reverse mentoring. We can only speculate on the reasons. It might be that once the students enter premier global case competitions they become slightly narcissist. Maccoby (2000) argues that narcissist leaders have a distaste for mentoring as they lack of empathy and seek for extreme independence. Additional speculation is that business case competitions develop transformational rather than transactional leadership styles (Vera and Crossan, 2004). Further knowledge flux and learning require transactional modes of leadership.

**Contributions and Implications**

Our study makes three important theoretical contributions to strategic management education. First, we emphasized a specific niche of strategic management education – learning through competing at global business case competitions. We delineated the generic competition process, and raised awareness of an emerging method for strategic management education. As a developing method of strategic management education it brings new peculiarities to the education process. However, preparing teams for these competitions requires immense efforts and resources of business schools and significant extracurricular mentoring activity. Second, we clarify the knowledge flux between mentors and business case contesters’ by exploring the causal relationships between mentoring, undergraduates’ development and reverse mentoring. More importantly, we stress relevant and practically applicable strategy education (Rynes, Bartunek and Daft 2001; Jarzabkowski and Paul Spee 2009). Third, our study
contributes to the dynamic capabilities theory. Business schools cannot create distinct competencies in classrooms as the knowledge is public. However, small teams of business case contesters working in a multicultural environments tend to create unique and hard-to-mimic knowledge (Hajro, Gibson and Pudelko 2015). Further on we will highlight the theoretical and practical implications in these fields.

Emphasis on global business case competitions and contesters' development. Business schools that compete at case competitions usually apply case studies in various courses: finance, strategy, marketing which helps students to develop problem solving skills and be familiar with using the case methods. Working with students in the classroom is not sufficient to prepare a team for a case competition. Some business schools that were investigated in our study have a course dedicated to case studies at their university. Other mentors work with students through additional extra-curricular activities. Another important practice is that some mentors who prepare students for competition usually invite consultants to help them to stimulate students to overcome lack of knowledge when it comes to assumptions and educated guessing through solving case studies in strategic management (exampling leading consulting houses such as McKinsey, BCG, PwC, KPMG, EY, Bain) (Ammerman 2012). For example, the use of the strategic problem-solving model of McKinsey explains the role of business need (strategic problem of client company), analyzing and presenting data, developing strategic implementation as a solution and align with leadership - vision of client company (Rasiel and Friga 2001). Case studies also provide business schools an avenue to improve collaboration between academic work and practice.

Knowledge flux at business case competitions and relevant strategic management education. Mentoring is a useful tool in specific forms of strategic management education. Still, knowledge generation is a two-way relationship and simultaneously affect both mentors and protégés (Ragins and Verbos 2007). The main practical implications of our study are related to knowledge and skills improvement of both mentors and undergraduates. Although not explicitly investigated, undergraduates at case competitions interact with professionals from the practice, and network and friend up with their peers from different cultures. This also creates a body of phronetic skills and develops leadership potentials. This knowledge flux ultimately leads to business school learning and improves the reputation of business schools internationally.

Learning from others mentor on an international level is crucial for the business school as it improves practical knowledge of strategic management analysis, decision, implementation and control. Experiences at case competitions show that business schools have different perspectives regarding structure, strategic analysis, choosing key criteria for strategic decision making and implementation plans of strategic recommendations and developing key performance indicators for measuring results. Mentors and their teams use a combination of theoretical knowledge acquired at university and new knowledge that they receive at competitions from other colleagues. Recently a pertinent example
occurred at an international case competition in Porto. The winning team received the opportunity to work on implementing their recommendation in the real world. This is important way of applying international knowledge on other foreign – local market to help organizations to build better strategic direction for the long term (Hedler 2011). This example indicates the practical relevancy of strategy learned at business case competitions.

Creating business schools’ competencies and reputation. An important implication of this study is that growth could be attributed not only to mentors and undergraduates, but to business schools as well. Our study supports the thesis that business schools create their distinctiveness by ‘exemplary attitudes and dispositions their professors champion and display in encouraging the pursuit of knowledge and the practical efficacy of action’ (Chia and Holt 2008: 484). Dedicated mentors and top talent undergraduates need to follow their mission in the process of creating a competitive advantage in the business education environment. Participating in premium global case competitions is an innovative strategic management educational project that will improve a mentor’s practical knowledge, skills and leadership development and lead to improved image and reputation of the business school at a global level.

The study also acknowledges that the support from the mentors plays a vital role in the actual development of important competences and managerial skills among students. (Damnjanovic, and Mijatovic, 2017). Mentors becoming more competitive on the job market because of international experience and network that they build and leadership approaches that they adapt at the different case competitions. Global case competitions help educational institution to develop better connection between academia and practice (Burke, Carter and Hughey, 2013) with providing innovative way of teaching using the real business examples.

Strengths, Limitations and Further Recommendations

An important strength of our study is its global overview. Globalization of management education is highly on the agenda of both scholars and practitioners (Doh 2010). Furthermore, studies covering global issues in management education are sparse (see Erez, et al. 2013). More precisely, we reported the findings from 18 countries from four large geographic regions. This feature, nonetheless, drives certain flaws. The cultural differences in mentoring/reverse mentoring activities were not captured by this study. This creates an important avenue for further research. Further studies should concentrate on the specificities of the examined phenomena in different cultural settings. Another study limitation is the fact the findings only represent the mentor point of view. Future research studies should include the opinion of students as well, providing a clearer image of this relatively new innovative learning method.
Another quality of our study is the focus on a particular strategic management education niche - mentoring of premier global business case competitors. Even though many schools conduct business case competitions, management education literature is rather sparse in this area (Orlitzky and Benjamin 2003). Global business case competitions are almost entirely beyond the scope of the existing scholarly publications. Focusing on a narrow niche elevates the issue of the sample size. The relatively small number of interviewed mentors raises a question of generalizability of our findings. Further studies should examine mentors from other business case competitions in order to improve the validity of findings. It should also be noted that this study is cross-sectional by nature, and was done at a specific point in time. For a more prolific study, a longitudinal analysis would be needed. Only then would the evolutionary characteristics of mentoring, case competitor development and reverse mentoring be captured.

Additional value this study provides is rigor and analytical development of research instruments. Nevertheless, a myriad of different forms of educational activities have been unexamined. Follow up studies should focus on incorporating other educational activities outside the realm of mentoring to provide more comprehensive findings.

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## APPENDIX 1. THE COMPILED LIST OF PREMIER GLOBAL CASE COMPETITIONS

Table 11 The compiled list of premier international case competitions (http://www.champions-trophy.co.nz/international-results/)

<table>
<thead>
<tr>
<th>Date</th>
<th>Competition</th>
<th>Venue</th>
<th>Teams</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb 16</td>
<td>Champions Trophy Case Competition</td>
<td>University of Auckland</td>
<td>12</td>
</tr>
<tr>
<td>Feb 16</td>
<td>BI International Case Competition</td>
<td>BI Norwegian Business School</td>
<td>12</td>
</tr>
<tr>
<td>Feb 16</td>
<td>Heavener International Case Competition</td>
<td>University of Florida</td>
<td>20</td>
</tr>
<tr>
<td>Feb 16</td>
<td>John Molson Undergraduate Case Competition</td>
<td>Concordia University</td>
<td>24</td>
</tr>
<tr>
<td>Feb 16</td>
<td>CBS Case Competition</td>
<td>Copenhagen Business School</td>
<td>12</td>
</tr>
<tr>
<td>Mar 16</td>
<td>McGill Management International Case Competition</td>
<td>McGill University</td>
<td>15</td>
</tr>
<tr>
<td>Mar 16</td>
<td>Sauder Summit Global Case Competition</td>
<td>UBC Sauder School of Business</td>
<td>9</td>
</tr>
<tr>
<td>Mar 16</td>
<td>Scotiabank International Case Competition</td>
<td>Ivey Business School</td>
<td>12</td>
</tr>
<tr>
<td>Mar 16</td>
<td>University of Navarra International Case Competition</td>
<td>University of Navarra</td>
<td>16</td>
</tr>
<tr>
<td>Apr 16</td>
<td>International Case Competition@Maastricht</td>
<td>Maastricht University</td>
<td>16</td>
</tr>
<tr>
<td>Apr 17</td>
<td>The Global Business Case Competition</td>
<td>University of Washington</td>
<td>12</td>
</tr>
<tr>
<td>Apr 18</td>
<td>Belgrade Business International Case Competition</td>
<td>University of Belgrade</td>
<td>16</td>
</tr>
<tr>
<td>May 16</td>
<td>Chulalongkorn International Business Case Competition</td>
<td>Chulalongkorn University</td>
<td>12</td>
</tr>
<tr>
<td>Jun 16</td>
<td>HSBC/HKU Asia Pacific Business Case Competition 2016</td>
<td>Hong Kong University</td>
<td>30</td>
</tr>
<tr>
<td>Aug 16</td>
<td>SDS Queenstown International Case Competition</td>
<td>University of Otago</td>
<td>12</td>
</tr>
<tr>
<td>Aug 16</td>
<td>Asian Business Case Competition</td>
<td>Nanyang Business School</td>
<td>9</td>
</tr>
<tr>
<td>Sep 16</td>
<td>UOB-NUS Case Competition</td>
<td>National University of Singapore</td>
<td>16</td>
</tr>
<tr>
<td>Oct 16</td>
<td>Thammasat Undergraduate Business Challenge</td>
<td>Thammasat University</td>
<td>16</td>
</tr>
<tr>
<td>Oct 16</td>
<td>Citi- HKUST International Case Competition</td>
<td>Hong Kong University of Science and Technology</td>
<td>18</td>
</tr>
<tr>
<td>Oct 16</td>
<td>Global Business Case Challenge</td>
<td>Ritsumeikan Asia Pacific University</td>
<td>13</td>
</tr>
<tr>
<td>Nov 16</td>
<td>Australian Undergraduate Business Case Competition</td>
<td>University of Melbourne</td>
<td>16</td>
</tr>
</tbody>
</table>
APPENDIX 2. THE 13-ITEM LIST OF PHRONETIX KNOWLEDGE AND SKILLS OF BUSINESS CASE CONTESTERS

<table>
<thead>
<tr>
<th>Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Critical and strategic thinking</td>
</tr>
<tr>
<td>Systematic industrial and labor related thinking</td>
</tr>
<tr>
<td>Analyzing the complex industrial and labor relations environment</td>
</tr>
<tr>
<td>Demonstrating an understanding of theory covered in the subject</td>
</tr>
<tr>
<td>Understanding specific roles in managerial practice</td>
</tr>
<tr>
<td>Demonstrating appropriate communication skills with other team members</td>
</tr>
<tr>
<td>Present material in a format appropriate to the role, the task, the audience</td>
</tr>
<tr>
<td>Improving learning and performance</td>
</tr>
<tr>
<td>Information-communication technology (ICT) skills</td>
</tr>
<tr>
<td>Leadership skills (Communication)</td>
</tr>
<tr>
<td>Interpersonal skills -Working with others (Team building)</td>
</tr>
<tr>
<td>Conceptual skills (Problem solving and decision-making)</td>
</tr>
<tr>
<td>Functional skills (for example, strategic management)</td>
</tr>
</tbody>
</table>
APPENDIX 3. DISCRIMINANT VALIDITY

Each of the 15 individual reflective items had the highest loading on the scales they were originally assigned to. Furthermore, the results of Fornell-Larcker test demonstrated that all the scales were distinctive, meaning that they indeed measure and represent different latent phenomena (the square root of AVE for each scale was higher than its correlations with other latent constructs in the model – see table below).

<table>
<thead>
<tr>
<th>Discriminant validity test using Fornell-Larcker criterion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
</tr>
<tr>
<td>Communication skills</td>
</tr>
<tr>
<td>Practical strategic management knowledge</td>
</tr>
<tr>
<td>Leadership potential</td>
</tr>
<tr>
<td>Mentoring</td>
</tr>
<tr>
<td>Reverse mentoring</td>
</tr>
</tbody>
</table>

Additional screening for discriminant validity were performed using HTMT tests (table below). HTMT scores for all pairs of reflective latent constructs were below the threshold of .85 while the 95% confidence interval did not contain number 1. Thus, it was concluded that all of the scales present in the model achieved discriminant validity meaning they observe semantically different constructs.

<table>
<thead>
<tr>
<th>Heterotrait-Monotrait Ratio (HTMT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>HTMT</td>
</tr>
<tr>
<td>0.534</td>
</tr>
<tr>
<td>0.669</td>
</tr>
<tr>
<td>0.609</td>
</tr>
<tr>
<td>0.822</td>
</tr>
<tr>
<td>0.518</td>
</tr>
<tr>
<td>0.646</td>
</tr>
</tbody>
</table>
APPENDIX 4. SIGNIFICANCE AND RELEVANCE OF THE STRUCTURAL MODEL RELATIONSHIPS

<table>
<thead>
<tr>
<th>Path coefficient</th>
<th>t value</th>
<th>p values</th>
<th>95% conf.</th>
<th>Interval</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication skills $\rightarrow$ Reverse mentoring</td>
<td>0.376</td>
<td>2.575</td>
<td>0.010</td>
<td>0.062</td>
<td>0.635</td>
</tr>
<tr>
<td>Practical strategic management knowledge $\rightarrow$ Reverse mentoring</td>
<td>0.295</td>
<td>1.708</td>
<td>0.088</td>
<td>0.020</td>
<td>0.684</td>
</tr>
<tr>
<td>Leadership potential $\rightarrow$ Reverse mentoring</td>
<td>-0.059</td>
<td>0.471</td>
<td>0.638</td>
<td>-0.459</td>
<td>-0.006</td>
</tr>
<tr>
<td>Mentoring $\rightarrow$ Communication skills</td>
<td>0.603</td>
<td>5.546</td>
<td>0.000</td>
<td>0.376</td>
<td>0.796</td>
</tr>
<tr>
<td>Mentoring $\rightarrow$ Practical strategic management knowledge</td>
<td>0.408</td>
<td>4.056</td>
<td>0.000</td>
<td>0.227</td>
<td>0.630</td>
</tr>
<tr>
<td>Mentoring $\rightarrow$ Leadership potential</td>
<td>0.522</td>
<td>3.935</td>
<td>0.000</td>
<td>0.251</td>
<td>0.759</td>
</tr>
<tr>
<td>Mentoring $\rightarrow$ Reverse mentoring</td>
<td>0.593</td>
<td>4.601</td>
<td>0.000</td>
<td>0.303</td>
<td>0.805</td>
</tr>
</tbody>
</table>
A CULTURE OF INNOVATION COULD ALSO TAKE PLACE IN SMALL BUSINESSES - THE ISRAELI EXPERIENCE

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ABSTRACT

The study demonstrated that small businesses in the industry and craft sectors that seek to promote innovation must implement processes for developing an innovation culture. Interestingly, these processes contribute mainly to product and process innovation and less to marketing and organizational innovation. The empirical study was conducted in Israel in 2016 on a sample of 202 businesses in face-to-face interviews.

This research expands the body of knowledge on cultural processes for promoting innovation in this group of businesses, which has rarely been the focus of studies on innovation.

The study may contribute in a practical manner to assisting small businesses in the development and implementation of appropriate cultural processes for promoting innovation, and as a result, contribute to overall regional economic growth.

Keywords: Small businesses, innovation, cultural processes.

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1. INTRODUCTION

This study addresses the contribution of innovation cultural processes to the promotion of innovation in small businesses. This group of businesses, despite its unique characteristics, has received little attention in the literature regarding innovation. In a rapidly changing global world, innovation is vital to all businesses (Marques & Ferreira, 2009; Porter, 1996; Teece, Pisano, & Shuen, 1997), but the innovation process carries risks and its management is complex (Chesbrouge, 2003), making it particularly difficult to promote innovation in small businesses, in view of their resource constraints and size disadvantages.
Small businesses must cope with various hardships that hinder their innovation, such as difficulty in obtaining suitable talent, lack of appropriate information and infrastructure, and lack of funding (Harel & Kaufmann, 2016; Kleiknecht, 1989; Lee, Park, Yoon, & Park, 2010; Van der Vrande, De Jong, Vanhaverbeke, & De Rochemont, 2009; Wu et al., 2016).

Previous studies have indicated the relationship between the size of the business and its innovation activity, so that in larger businesses employing a greater number of employees, the innovation activity is greater (CBS, 2015; CIS, 2017). Most studies regarding business innovation view small and medium-sized enterprises (SME) as one cohesive group. Many of these studies focused on product and process innovation (Oke, Burke, & Myers, 2007), as well as on businesses in technological fields and early stages of the business lifecycle (Lee et al., 2010). The current study focuses on small businesses, distinguishing between four types of innovation (product, process, marketing, and organizational), and explores the innovation at different life stages of the business. The study does not include businesses in the high-tech sector, whose activities are by nature concerned with innovation.

The purpose of this study was to examine the contribution of innovation cultural processes (hereinafter cultural processes) aimed at promoting innovation in small businesses in the industry and craft sectors. The study empirically examines a theoretical model that presents the relationship between these processes and the level of innovation in the business.

2. LITERATURE REVIEW

2.1 Addressing Innovation in Small Businesses

Previous studies compared the innovation dynamic in different business groups and have indicated the relationship between the business size and its innovation activity (CBS, 2015; CIS, 2017). Most of the studies refer to small and medium-sized enterprises as a single business group, despite considerable differences in their size and definitions in different countries. One contribution of this study is its approach to the uniqueness of cultural processes that are applied in small businesses.

2.2 Characteristics of Small Businesses

According to the EU Commission, small businesses are defined as businesses that employ up to 50 employees (European Commission, 2003). Small businesses are often characterized by limited regional activity and relatively small market share, and their employees are frequently located in one building. Moreover, these businesses are characterized by autonomy, as they are not part of a corporate group, and thus the owner has unrestricted authority and effective control over all business activity (Carson, 1990; Schollhammer & Kuriloff, 1997). Nonetheless, the most important distinguishing characteristic of small businesses is their unique management style. Management in small businesses is personal, as the manager personally knows each employee, is involved in every aspect of managing the business, and
often does not include others in decision-making processes (Carson, 1990; Miller, 1983; Schollhammer & Kuriloff, 1997).

A large segment of small businesses is family-owned and operated by the primary shareholder (Coleman & Carsky, 1999). In such cases, the business manager often views the business both as a means of achieving personal goals and as a source of familial income (Stewart, Watson, Carland, & Carland, 1999).

2.3 The Importance of Small Business to the Economy
Small businesses are perceived as an important growth engine for the economy, responsible for creating a significant portion of new jobs (Henrekson & Johansson, 2010, OECD, 2009). In the ever-changing economic environment, the advantages of small businesses are expressed in flexibility, dynamism, rapid response, and adaptability to change in this environment (Tzadik, 2007). The creativity of these businesses fuels entrepreneurial spirit and economic growth (Savlovshi & Robu, 2011).

At the same time, according to Henrekson and Johansson (2010), only a small group of small businesses that grow rapidly because they are innovative is responsible for economic growth. Therefore, it is crucially important to understand processes for promoting innovation in small businesses, in order to expand this limited group of businesses and thereby contribute to the growth of the economy.

2.4 Cultural Processes
According to Nonaka (2007), successful businesses consistently generate new knowledge, disseminate it throughout the organization, and rapidly incorporate it into new technology and products. Nonaka claims that it should be recognized that the creation of new knowledge is not simply a matter of processing objective information. Rather, it depends on personal tacit knowledge as well as subjective insights, intuitions, and hunches of individual employees at all levels of the organization. Only the creation of a suitable organizational culture that encourages innovation will make these available for use by the entire organization. Nonaka also argues that new knowledge begins with individuals, and to make the personal knowledge available to others is the central activity involved in creating knowledge in the business.

Tacit knowledge consists in part of beliefs, technical expertise, and skills, which cannot always be accurately expressed. Therefore, an organizational culture that encourages communication and knowledge sharing assists in translating hidden knowledge into explicit and clear knowledge that can be used. The internalization of explicit knowledge by all the individuals in the organization will enrich their personal knowledge, thus contributing to the continued development of a “spiral of knowledge” of increasingly higher levels through which the knowledge that has been internalized and accumulated will serve other innovative ideas. According to Miron, Erez, and Naveh (2004), organizational culture that supports innovation encourages employees to find new ways to deal with problems while taking
risks and explore new ideas even when the result is unclear. A culture that supports innovation makes it possible to translate creative ideas into actual innovation.

Dobni (2008) defines organizational culture as a framework of shared values and beliefs for employees at all levels of the organization that are reflected in its characteristics. Organizational culture that supports innovation includes behavior that demonstrates an appreciation of creativity, risk taking, freedom, teamwork, value seeking, communication, trust, and respect.

Tellis (2012) and Tellis, Prabhu, and Chandy (2009) also argue that organizational culture is one of the principal factors that affect innovation in organizations, despite the difficulty in measuring it. The researchers define organizational culture as a basic set of approaches and practices shared by members of the organization, and claim that a culture that fosters innovation will assist the business to stay ahead in the long term. Organizational culture is a unique product that develops slowly within the organization, cannot be determined or dictated by management, is not easily defined, and is difficult to transfer between organizations.

According to Skarzynski and Gibson (2013), there is no one way to organize business innovation. Each organization has elements of leadership, skills, infrastructure, values, culture, and organizational processes, and the challenge is to adapt these components to an innovation framework that is compatible with the organization and its objectives. According to the researchers, every individual in the organization can become an innovator by receiving encouragement and assistance with tools that the organization provides, for example training for creative thinking, allowing employees to take breaks in accordance with their own judgement, encouraging the proposal of new ideas, and so on. In addition, the organization should encourage dialogue and communication around the subject of innovation and integrate considerations regarding innovation capabilities into the hiring process of new employees and the employee remuneration system. In order for innovation to be accepted as a value in the organization, it must be clear and concrete to the employees. In addition, internal adjustment is required in the organization between structure, processes, the remuneration system, and the management’s commitment and behavior, so that the employees will be convinced over a long period of time that their ideas are accepted and implemented in the organization, that initiative and risk-taking are rewarded, and that it is permissible to fail in the implementation of an idea and not be punished (Skarzynski, & Gibson, 2013).

Terziovski (2010) reinforces the claim that developing an organizational culture that encourages innovation is an integral part of the innovation process. This culture can be measured by examining the business’s reward system for creativity, focusing on teamwork, encouraging informal employee meetings and interactions, encouraging employees to monitor their own performance, continuously experiment with new ways of doing things, and share knowledge.
In previous studies, the contribution of cultural processes to innovation was examined primarily in large businesses. The current study seeks to examine the extent to which cultural processes are carried out in small businesses and explore their contribution to levels of different types of business innovation.

3. RESEARCH MODEL AND HYPOTHESES

Based on the literature review, we formulated a theoretical model that presents the relationship between cultural processes and levels of innovation in small businesses in the industry and craft sectors.

The model relates to the business characteristics and to the characteristics of the business manager, which may affect the level of innovation in these businesses. The model relates to four types of innovation: product, process, marketing, and organizational. Figure 1 below shows the model for promoting innovation in small businesses in the industry and craft sectors.

Figure 1: Model for promoting innovation in small businesses in the industry and craft sectors.

Model variables

Dependent variables

The dependent variables relate to the level of innovation in the four types of innovation in the business.

Independent variables

The Cultural processes

Control variables

A. Business characteristics: size, age, level of human capital, level of export sales, and rate of sales from subcontracted work

B. Characteristics of the business manager: managerial experience, number of businesses he has managed, and being the owner of the business

Research hypothesis
The research hypothesis has been formulated for simplicity in general, but will be examined in relation to the level of each type innovation separately.

Previous studies have shown that organizational culture encourages innovation, enables creative ideas to be translated into innovation performance, and facilitates the translation of tacit knowledge into knowledge that is explicit and available to the business. Organizational culture that encourages innovation is an integral part of the business innovation process.

The contribution of cultural processes to business innovation has been examined mainly among large businesses. The current study examines whether these processes are also implemented in small businesses, and if so, in what manner and to what extent. Moreover, the study examines the contribution of these processes to the level of different types of innovations. Thus, our research question is: Does the degree of implementation of cultural processes in the business have a positive impact on the level of innovation in small businesses in the industry and craft sectors?

This question will be examined using the following hypothesis:

The greater the extent of cultural processes in the business, the higher the level of innovation.

4. RESEARCH METHODOLOGY

The sample

The sample included 202 small businesses in the industry and craft sectors in Israel that employ between 10 and 50 employees. The data was based on the Israeli Industry and Craft Association, which includes the details of all small businesses in these sectors, which by law are incorporated into this organization.

Data collection

Data collection took place over the course of three months in 2016 and was conducted using a questionnaire divided into three parts: innovation in the business, cultural processes, and characteristics of the business and the business manager.

Innovation in the business

This section addresses the level of each of the four types of innovation in the business (CBS, 2012). For each type of innovation, the level of innovation was measured according to four degrees of innovation related to market presence (Oke et al., 2007). First-degree innovation indicates a significant improvement on an existing product, process, or method. Second-degree innovation indicates products, processes, or methods that are new to the business, but exist in the local market. Third-degree innovation indicates products, processes, or methods that are new both to the business and to the local market. Fourth-degree innovation indicates products, processes, or methods that are new to both the business and the global market.
The business managers were asked to indicate the amount and degree of each type of innovation implemented in the business in the past three years. The level of each type of innovation was calculated based on a weighted index of the number of innovations and the degree of innovation (Bobko, Roth, & Buster, 2007; Miron-Spektor et al., 2011).

**Cultural processes**

The cultural processes include ten managerial practices. The first six are based on a validated index from a study by Terziovsky (2010), while the other four are based on Skarzynski and Gibson (2013). The practices are: encouraging employees to engage in informal meetings, monitor their own performance, and share knowledge, focus on teamwork, continuously experiment with new ways of doing things, including a component of creativity in employee remuneration (Terziovsky, 2010), discussing innovation in meetings with employees, encouraging employees to propose new ideas, implementing employees’ new ideas, and incorporating the consideration of creativity and innovation capabilities into the hiring process of new employees (Skarzynski, & Gibson, 2013). The examination of internal reliability using Cronbach’s alpha, obtained indicated high internal reliability of the index that included the ten items. The managers were asked to assess the extent to which each of the ten cultural processes exists in the business on a Likert scale (1–5). The index used to examine the contribution of cultural processes to the innovation in the business is presented in Table 1, below.

**Table 1: Measures for examining the contribution of cultural processes to the innovation in the business**

<table>
<thead>
<tr>
<th>The Processes in the Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Encouraging employees to hold informal meetings</td>
</tr>
<tr>
<td>b. Encouraging employees to monitor their own performance</td>
</tr>
<tr>
<td>c. Encouraging employees to share knowledge</td>
</tr>
<tr>
<td>d. Focusing on teamwork</td>
</tr>
<tr>
<td>e. Encouraging initiatives for examining new ways to carry out tasks</td>
</tr>
<tr>
<td>f. Including creativity as an element of employee’s remuneration</td>
</tr>
<tr>
<td>g. Discussing innovation in meetings with employees</td>
</tr>
<tr>
<td>h. Encouraging employees to propose new ideas</td>
</tr>
<tr>
<td>i. Implementing employee’s new ideas</td>
</tr>
<tr>
<td>j. Incorporating the consideration of creativity and innovation capabilities into hiring process of new employees</td>
</tr>
</tbody>
</table>

**Characteristics of the business and the business manager**

The characteristics of the business are: size (the number of employees), age, level of human capital (the proportion of employees with engineering or scientific backgrounds), level of sales for export, and rate of sales from subcontracting. The characteristics of the business manager are: managerial experience, number of businesses he has managed, and being the owner of the business.
5. FINDINGS

The findings are presented in three parts. The first part presents the characteristics of the businesses and the business managers. The second part presents the correlations between all the research variables and the level of innovation in the business. The third part presents the regression analyses that examine the contribution of cultural processes to the level of each type of innovation.

5.1 Characteristics of the Businesses and the Business Managers

Businesses characteristics

Half of the businesses have between 10 and 19 employees, while one quarter have between 20 and 29 employees and another quarter have between 30 and 50 employees. The average number of employees is \( M=22.7 \) (SD=13.1) and the average age of businesses in the sample is \( M=28.3 \) (SD=14.2).

Thirty-seven percent (37%) of the businesses have no employees with an engineering or scientific background, and in only 13% of the businesses more than 20% of their employees have such backgrounds. Seventy percent (70%) of the businesses in the sample do not export their products and in less than 9% of them exports comprise over 50% of their sales. Furthermore, 40% of the businesses work as subcontractors.

Characteristics of the business managers

The average number of years of management experience was \( M=26.9 \) (SD=10.7). More than 75% of the business managers had managed only one or two businesses, indicating that despite many years of experience, their management experience is not diverse. This finding can be explained by the fact that in 90% of the businesses in the sample, the manager of the business was also its owner.

5.2 The relationships between the research variables and the level of innovation

Cultural processes and the level of innovation

The distribution of businesses in the sample according to the extent to which cultural processes are implemented is presented in Figure 2, below.
Figure 2: The distributions of businesses in the sample according to the extent to which cultural processes are implemented.

Figure 2 shows that in all businesses there was a cultural process of some kind, and that in about 60% of the businesses, these processes took place to a moderate extent or higher. The correlation between the extent to which these processes took place and the level of innovation in the business are presented in Table 2, below.

Table 2: The correlation between the extent to which cultural processes took place and the level of innovation in the business

<table>
<thead>
<tr>
<th></th>
<th>Product Innovation</th>
<th>Process Innovation</th>
<th>Marketing Innovation</th>
<th>Organizational Innovation</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Culture processes</td>
<td>0.48**</td>
<td>0.37**</td>
<td>0.29**</td>
<td>0.36**</td>
<td>2.35</td>
<td>0.74</td>
</tr>
</tbody>
</table>

*p<0.01  **p<0.001

Table 2 shows high positive correlations between cultural processes and the level of innovation in all types of innovation. The highest correlations were found with product innovation.

Business characteristics and the level of innovation

The correlations between the business characteristics and the level of innovation are presented in Table 3, below.

Table 3: The correlations between the business characteristics and the level of innovation in the business

<table>
<thead>
<tr>
<th>Businesses Characteristics</th>
<th>Product Innovation</th>
<th>Process Innovation</th>
<th>Marketing Innovation</th>
<th>Organizational Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Size</td>
<td>0.20*</td>
<td>0.15</td>
<td>0.04</td>
<td>0.23*</td>
</tr>
<tr>
<td>Business Age</td>
<td>0.04 -</td>
<td>0.05</td>
<td>0.09 -</td>
<td>0.10 -</td>
</tr>
<tr>
<td>Engineers</td>
<td>0.36**</td>
<td>0.15</td>
<td>0.19*</td>
<td>0.28**</td>
</tr>
<tr>
<td>Export sales</td>
<td>0.36**</td>
<td>0.09</td>
<td>0.21*</td>
<td>0.19*</td>
</tr>
<tr>
<td>Subcontractors</td>
<td>0.21* -</td>
<td>0.08</td>
<td>0.21* -</td>
<td>-0.06</td>
</tr>
</tbody>
</table>

*p<0.01  **p<0.001
Table 3 shows high positive correlations between the number of employees with engineering or scientific backgrounds, the level of export sales, and the level of product innovation. In addition, positive but relatively low correlations were found between the business size and the level of organizational innovation. Low negative correlations were found between subcontractor sales and the level of product and marketing innovation.

**Characteristics of the business managers and levels of innovation**

The examination of the correlations between the manager’s experience, number of businesses he had managed, and levels of innovation revealed that except low negative correlation between the manager’s experience and the level of organizational innovation \( (r = -22, p < .01) \), no significant correlations were found (see Appendix A1).

The differences in levels of innovation as a function of the manager being the business’s owner were examined by means of one-way MANOVA analysis, which showed a significant effect of the manager being the owner:

\[
F(5,196)=7.33, \ p<.001, \ \text{Wilks’ } \eta^2=0.16.
\]

In the analysis by types of innovation, being a manager-owner was found to have a significant effect on all types of innovation, except of process innovation, where the average score of a manager who is not the owner is higher than that of a manager-owner (see Appendix A2).

**5.3 Regression analyses**

The contribution of cultural processes to levels of innovation in the business was examined using hierarchical regression analyses in three steps. The variables that were significantly correlated in a Pearson’s correlation test with at least one type of innovation were introduced into the regression.

The analysis was conducted using four separate regressions for each type of innovation separately, with identical identity and order of the variables.

The regression coefficients are presented in Table 4, below.

Table 4: The regression coefficients

<table>
<thead>
<tr>
<th>Variable</th>
<th>Product</th>
<th>Process</th>
<th>Marketing</th>
<th>Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>( \beta )</td>
<td>( \beta )</td>
<td>( \beta )</td>
<td>( \beta )</td>
</tr>
<tr>
<td><strong>Step 1</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manager’s experience</td>
<td>-0.07</td>
<td>0.10</td>
<td>0.00</td>
<td>-0.17*</td>
</tr>
<tr>
<td>Manager- Owner</td>
<td>0.17*</td>
<td>0.00</td>
<td>0.30**</td>
<td>0.23**</td>
</tr>
<tr>
<td><strong>Step 2</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export sales</td>
<td>0.34**</td>
<td>0.10</td>
<td>0.14</td>
<td>0.14</td>
</tr>
<tr>
<td>Business size</td>
<td>0.20*</td>
<td>0.18*</td>
<td>0.01</td>
<td>0.24**</td>
</tr>
<tr>
<td>Prop. Of engineers</td>
<td>0.30**</td>
<td>0.21*</td>
<td>0.13</td>
<td>0.29**</td>
</tr>
<tr>
<td>Subcontractors</td>
<td>-0.19*</td>
<td>0.05</td>
<td>-0.18*</td>
<td>-0.04</td>
</tr>
</tbody>
</table>
6. DISCUSSION

The current study empirically examined a theoretical model that presents the relationship between cultural processes and levels of business innovation.

In the examination of the relationship between cultural processes and level of innovation through Pearson’s correlation, high positive correlations were found with all types of innovation. In the examination of the contribution of cultural processes to levels of innovation by means of regression analysis, it was found that they had a significant contribution mainly to the levels of product and process innovation.
These findings confirm the research hypothesis regarding the levels of product and process innovation such that the greater the extent of cultural processes in the business, the higher the levels of product and process innovation. These findings may be explained by the fact that innovations in product and process are based on the knowledge, personal experience, insights, and intuitions of employees at all levels of the business. The implementation of cultural processes assists in translating tacit knowledge into explicit and available knowledge for wide use in the business, thereby contributing to its innovation (Nonaka, 2007). On the other hand, in small businesses, marketing innovations such as setting up a website or changing means of distribution, and organizational innovations, including changes in responsibility and authority, may be made solely by the manager, without the participation of additional employees.

Dobni (2008), Nonaka (2007), Miron et al. (2004), and Tellis et al. (2009) support the findings of the current study, although these studies examined the contribution of cultural processes to innovation in large businesses only and did not relate to the various types of innovation.

7. CONCLUSION

The research findings confirmed the study hypothesis and demonstrated that the implementation of innovation cultural processes, such as encouraging employees to examine new ways of performing tasks, is crucial for promoting innovation in small businesses. Nonetheless, it is interesting to note that cultural processes affect differently according to the innovation type: product, process, marketing or organization. The impact is higher to the levels of product and process innovation and lower to marketing and organizational innovation.

The theoretical contribution of the research is expressed in its focus on small businesses in the industry and craft sector, in distinguishing between different types of innovation, and in expanding knowledge on cultural processes implemented in these group of businesses, which has rarely been the focus of studies on innovation. The use of face-to-face interviews as a research tool facilitated the attainment of knowledge that is generally less accessible. In addition, the study findings may be instrumental in assisting small businesses in implementing appropriate processes for promoting innovation.

8. LIMITATION OF THE STUDY AND FUTURE RESEARCH

The findings were based on data provided by the business managers. However, in accordance to ensure the study’s validity, a structured questionnaire was filled out by the author during face-to-face meetings and verified by means of additional questions intended to clarify the answers.
Future research should expand the parameters to include small businesses in other sectors. This expansion will facilitate a broader understanding of all small businesses in the market.

REFERENCES


APPENDIX A1:
Correlations between the characteristics of the business managers and the level of innovation in the business

<table>
<thead>
<tr>
<th>Managers Characteristics</th>
<th>Product Innovation</th>
<th>Process Innovation</th>
<th>Marketing Innovation</th>
<th>Organizational Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manager Exp.</td>
<td>0.11</td>
<td>-</td>
<td>0.08</td>
<td>0.22*</td>
</tr>
<tr>
<td>Number of Bus.</td>
<td>0.14</td>
<td>0.01</td>
<td>0.11</td>
<td>0.09</td>
</tr>
</tbody>
</table>

*p<0.01  **p<0.001

APPENDIX A2:
Analysis by types of innovation, being a manager-owner

<table>
<thead>
<tr>
<th>Innovation Type</th>
<th>Manager-Owner M</th>
<th>Manager-Owner SD</th>
<th>Manager-Not Owner M</th>
<th>Manager-Not Owner SD</th>
<th>F(1,200)</th>
<th>Eta2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product</td>
<td>3.05</td>
<td>4.06</td>
<td>5.89</td>
<td>6.82</td>
<td>6.96*</td>
<td>0.03</td>
</tr>
<tr>
<td>Process</td>
<td>2.68</td>
<td>3.62</td>
<td>2.39</td>
<td>2.73</td>
<td>0.11</td>
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*p<0.01  **p<0.001
NON-STOCHASTIC PREDICTION SPAN AS A PREDICTING TOOL IN ECONOMIC TIME SERIES

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ABSTRACT

This paper describes an original method suitable for constructing a non-stochastic prediction span in seasonally adjusted economic time series. Such a technique is capable of providing a rather narrow interval that can be used for short-term predictions in the time series evolution. We first analyse the properties of the presented method, in particular with respect to variability in the values of the underlying time series. Using simulations, we then compare the prediction potential of the model depending on low/high variability. In the end, we illustrate our findings about the model properties on time series data taken from the national accounts of the Czech Republic.

Keywords: combinations of polynomial trend curves, non-stochastic prediction span, variability of seasonally adjusted time series, final consumption expenditure.

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INTRODUCTION

Analysis of time series is currently a dynamically developing field, particularly in connection with large data sets and possibilities of stochastic modelling. This fact is caused by the growing need to use the results of statistical analysis in economic decision-making. The availability of input data and the growing lengths of the economic-index time series to be analysed bring about a challenge to look for novel approaches to analysing and predicting in time series, as well as making the predictions more accurate. All prognosis methods in time series stem from looking into the future on the basis of studying the past. Predictions in time series of any economic indices should always comply with demanding requirements on accuracy and reliability, on which the quality of the subsequent decision-making heavily depends.
The quality of predictions in economic time series depends, to a variable extent, not only on the particular prediction span technique utilised but primarily on the variability of the past values of the underlying time series. When extrapolating the observed evolution, we must always take into consideration the factual and formal properties of the series as well as the criterion of the predictions to be meaningful. A wide prediction span is virtually worthless for the user, despite the high reliability of such predictions; on the other hand, a narrow interval of predicted values brings a higher risk of prediction errors. The method presented in this paper is aimed at finding an acceptable compromise between those two extremes.

**VARIANTS OF PREDICTION SPANS**

The methods of statistical prognostics are among the most widely used prediction models. They include extrapolation techniques for one- and multi-dimensional time series, as well as different modifications of regression analysis. The substance of the traditional extrapolation methods studies the time series of a selected phenomenon and transfers the established regularities from the past and present to the future. This principle (called *ceteris paribus*) can, more or less smoothly, be applied to phenomena that are stable in time. If, however, substantial qualitative changes have been taking place in the analysed time period (and similar changes are to be expected in the future), the use of the traditional extrapolation methods is disputable. The point is that in the present economic practice we encounter a number of unstable phenomena. In such instances, point-estimate predictions lose their usefulness and we have to make use of prediction methods based on prediction intervals and methods of regression analysis. Such predictions may take on the form of traditional stochastic confidence intervals (cf., e.g., Fox, 2012 or Holger and Schreiber, 2004) or non-stochastic prediction spans (cf., e.g., Rogoza, 2017 or Kozák et al., 1999).

First of all, we are going to briefly describe the traditional stochastic prediction span, followed by a non-stochastic "fin-shaped" prediction span (which is partly based on our work Hindls, Hronová and Marek, 2016). We will now further develop this technique by testing its ability to comply with the requirements for prediction quality depending on the variability (as measured by the variation coefficient) of a particular time series. Finally, we will make predictions in time series of aggregate indices from the national accounts of the Czech Republic, accompanied by the corresponding factual analysis of the related issues.

**Traditional stochastic interval predictions**

The traditional interval predictions are two-sided prediction intervals with pre-set confidence levels. They are based on point estimates created by extrapolation of the trend curve, around which the
stochastic is constructed. Let us denote by \( y_t \) the time series value at time \( t = 1, 2, ..., n \) (where \( n \) is a positive integer).

Within this concept, a predictor \( \pi \) is created for the given prediction horizon \( h > 0 \) (where \( h \) is a positive integer as well) for the time moments between \( n \) and \( (n+h) \), viewed as an estimate of the unknown variable \( y_{n+h} \) to be predicted, together with two more predictors \( \pi \) and \( \pm \pi \) such that \( \pi < \pi < \pm \pi \); \( \pi \) is the so-called mid-predictor (which is, in substance, a point estimate of the future evolution); \( \pi \) and \( \pm \pi \) are the lower and upper predictors; and the \( (\pi, \pi) \) interval is the prediction span. A traditional two-sided symmetric confidence interval for the mid-predictor \( \pi \) is used, with the end predictors \( [\pi = \pi \pm D(\phi), \pi = \pi + D(\phi)] \); here \( D(\phi) \) is a random variable such that, for a given value of \( \Delta \), with \( 0 < \phi < 1 \), probability inequalities \( P[|\pi \pm y^{(m)}| \leq D(\phi)] \geq 1 \) and \( P[|\pi - y^{(m)}| \leq D(\phi)] \geq 1 \) are true. By \( y^{(m)} \) we have denoted the applied prognostic model for the variable to be predicted (cf. in more detail, e.g., Stulajter, 2002 or Woodward, Gray and Elliott, 2012).

In order to describe the process being monitored, we can use a two-parameter linear regression function with positive, non-decreasing monotonous values of the independent variable. The prediction problem is resolved in a traditional way: the mid-predictor is obtained by extrapolating the deterministic component from the past to the future, and the prediction span by utilisation of a traditional symmetric two-sided confidence interval (Granger and Newbold, 1986 or Wei, 1990).

We begin with the fact that the dependent variable can be described as

\[
y_t = \alpha + \beta x_t + \epsilon_t, \quad t = 1, 2, ..., t,
\]

where

\[
x_t > 0, \quad t = 1, 2, ..., n,
\]  

stands for the known decreasing values of the independent variable, \( \alpha \) and \( \beta \) for unknown non-stochastic parameters, and \( \epsilon_t \) for random perturbations characterized by

\[
E(\epsilon_t) = 0 \quad \text{for} \quad t = 1, 2, ..., n,
\]

\[
E(\epsilon_t \epsilon_s) = \sigma^2 \quad \text{pro} \ t = s, \quad t, s = 1, 2, ..., (4)
\]

\[
= 0 \quad \text{for} \quad t \neq s.
\]

The estimates \( a \) and \( b \) of the parameters \( \alpha \) and \( \beta \) are identified with the aid of the least squares method, i.e., using the formulas below:

\[
a = y \wedge bx,
\]

\[
b = \text{cov}(x, y) / \text{var} \ x = r (\text{var} \ y / \text{var} \ x)^{1/2},
\]  

where \( r \) is the correlation coefficient between \( y \) and \( x \).

Estimates of the random perturbations (residuals)

\[
e_t = y_t \wedge a \wedge bx_t, \quad t = 1, 2, ..., n,
\]

have, with respect to Formulas (5) and (6), residual variance
\[
\text{var } e = (1 \otimes r^2) \text{ var } y. \quad (8)
\]
The usual coefficient of determination \( R^2 = 1 - \frac{\text{var } e}{\text{var } y} \) is here reduced to \( R^2 = r^2 \). 

(9)

and an unbiased estimate for the variance of random perturbations \( \sigma^2 \) has the form
\[
s^2 = n(n \otimes 2)^{-1} (1 \otimes r^2) \text{ var } y. \quad (10)
\]
The prediction problem is solved on the basis of the fact that the independent variable's value, 
\[ x_{n+h} > 0 \text{ for } h = 1, 2, \ldots, m, 
\]
where \( m < n \), is known between points \( n \) and \( n + h \). The mean predictor is then
\[
I(h) = a + bx_{n+h}, \quad (12)
\]
where \( a \) and \( b \) stand for the estimates (5) and (6). With respect to the unknown variable \( y_{n+h} \) to be predicted, the error amounts to
\[
d(h) = \pi(h) \otimes y_{n+h}. \quad (13)
\]
If the ceteris paribus principle is valid for the variable to be predicted, i.e., if the \( y_{n+h} = y^{(m)} \) prognostic model is considered in relation with the model specified by Formula (1), which describes the past with the following properties:
\[
y^{(m)} = \alpha + \beta x_{n+h} + \epsilon^{(m)}, \quad (14)
\]
\[
E(\epsilon^{(m)}) = 0, \quad E[(\epsilon^{(m)})^2] = \sigma^2, \quad (15)
\]
\[
E(\epsilon^{(m)} \epsilon_t) = 0, \quad t = 1, 2, \ldots, n, \quad (16)
\]
then the variable under consideration is ex ante unbiased,
\[
B_{\alpha} [\pi(h)] = E[d(h)] = 0, \quad (17)
\]
and its ex ante quadratic risk equals
\[
R_{\alpha} [\pi(h)] = E[(d(h))^2], \quad \text{which in its turn equals}
\]
\[
R_{\alpha} [\pi(h)] = \sigma^2 C_n(h) \quad (18)
\]
while there is
\[
C_n = \frac{(n + 1)}{n} + \frac{(x_{n+h} - x)^2}{n \cdot \text{var } x}, \quad h = 1, 2, \ldots, m. \quad (19)
\]
The traditional span of predictions will be determined as follows: when the coefficient of reliability is given as
\[
1 \otimes \Delta, \quad 0 < \Delta < 1, \quad (20)
\]
the lower variant \( \pi_l(h) \), and the upper one \( \pi_u(h) \) are calculated:
\[
\pi_l(h) = \pi(h) \otimes D( \Delta, h), \quad \pi_u(h) = \pi(h) + D( \Delta, h), \quad (21)
\]
where
\[ D(\Delta h) = \mu(\Delta) [\sqrt{C(h)}]^2 \]  

\[ (22) \]

stands for an admissible error value, and \( \mu(\Delta) \) is a (1\(\sigma\)/\(\Delta\)).100\% quantile for the Student \( t \)-distribution with \( (n+2) \) degrees of freedom. The resulting construction admits the following interpretation: if all the hypotheses on the model are valid (especially, the assumption that the random perturbations have normal distributions and the variable to be predicted complies with its \textit{ceteris paribus} prognostic model), then the variable to be predicted will lie inside the interval \[ [\pi(h), \pi(h)] \] with the probability value equal to (1\(\sigma\)/\(\Delta\)), and outside this interval with the complementary probability value of \( \Delta \).

"Fin-shaped" prediction intervals

The traditional solution of stochastic predictions (21) presented above can be extended to alternatives based on non-stochastic approaches (cf. Kozák and Hindls, 1997). We will consider two such alternatives here; both of them are related to two additional models of the dependent variable

\[ y_i = \alpha_p + \beta(x_i) + \epsilon_{i,t} \quad 0 < p < 1, \text{ } t = 1, 2, ..., n, \]  

\[ (23p) \]

\[ y_i = \alpha_{i,q} + \beta_{i}(x_i) + \epsilon_{i,q}, 0 < q < 1, \text{ } t = 1, 2, ..., n. \]  

\[ (23q) \]

Regarding their interpretation with respect to model (1), it is useful to require that all of these three models should have the same deterministic components both at the beginning of the prediction, \( t = n \), and at the beginning of series, \( t = 1 \). With respect to Formulas (1), (23p), and (23q), it seems reasonable to require that the following boundary conditions should be met:

\[ \alpha_p + \beta_p(x)^p = \alpha + \beta x, \quad 0 < p < 1, \text{ } i = 1, 2, ..., n, \]  

\[ (24p) \]

\[ \alpha_{i,q} + \beta_{i}(x_i)^q = \alpha + \beta x, \quad 0 < q < 1, \quad i = 1, 2, ..., n. \]  

\[ (24q) \]

We have estimates (5) and (6) for \( \alpha \) and \( \beta \); hence, denoting by \( a_p \) \( a_{i,q} \) \( b_p \) and \( b_{i,q} \) the estimates for \( \alpha_p \) \( \alpha_{i,q} \) \( \beta_p \) and \( \beta_{i,q} \) (respectively), we can calculate them with the aid of the following Formulas

\[ a_p + b_p(x)^p = K_p, \]  

\[ a_{i,q} + b_{i,q}(x_i)^q = K_{i,q} \]  

\[ (25p) \]

\[ a_{i,q} + b_{i,q}(x_i)^q = K_{i,q}, \]  

\[ a_p + b_p(x)^p = K_p, \]  

\[ (25q) \]

where

\[ K_p = a + bx_p, \quad K_{i,q} = a + bx_{i,q}. \]  

\[ (26) \]

In other words, the equality

\[ a_p = a + b \text{ } [x_i(x_i)^p \otimes x_{i,n}(x_i)^p] / [(x_i)^p \otimes (x_i)^p] \]  

\[ (27p) \]

is valid and there is

\[ b_p = b \text{ } (x_n \otimes x_n) / [(x_n)^p \otimes (x_n)^p]. \]  

\[ (28p) \]

Analogically,
\[ a_{1+q} = a + b[x_i(x_n)^{1+q} x_n(x_i)^{1+q}]/[(x_n)^{1+q} \& (x_i)^{1+q}] \]  
(27q)

and there is

\[ b_{1+q} = b \ (x_n \& x_i)/[(x_n)^{1+q} \& (x_i)^{1+q}]. \]  
(28p)

Models (23p) and (23q) provide alternative predictions

\[ \pi_p(h) = a_p + b_p (x_{n+h})^p, \quad 0 < p < 1, \]  
(29p)

\[ \pi_{1+q}(h) = a_{1+q} + b_{1+q} (x_{n+h})^{1+q}, \quad 0 < q < 1, \]  
(29q)

and the goal is to compare those with the mean variant (12), related to the original model (1). It can be proven that they fulfill the following inequalities:

\[ \pi_p(h) < \pi(h) < \pi_{1+q}(h) \text{ or } \pi_{1+q}(h) < \pi(h) < \pi_{1+q}(h); \]  
(30)

due to this, the lower and upper predictions

\[ \pi_p(h) \text{ at } 0 < p < 1, \text{ and } \pi_{1+q}(h) \text{ at } 0 < q < 1 \]  
(31)

can, as related to the mean variant \( \pi(h) \), be viewed as the limits of a non-traditional span of predictions, called a "fin-shaped" span. Of course, selection of the constants \( p \) and \( q \) is decisive for this construction.

**QUALITY OF "FIN-SHAPED" PREDICTIONS DEPENDING ON THE VARIABILITY OF THE TIME SERIES DATA**

The variability of the time series data (for purposes of the "fin-shaped" predictions, the time series must always be seasonally adjusted if the seasonal component is present) is a key factor for the size, and therefore the quality of the prediction span. That is why, prior to applying our approach to real data, we carry out comparative analysis on simulated data to study the effects of variability. To this end, we will utilise a standard generator of random numbers available online. Let us generate two different time series of types (1) and (2); each of them with random perturbations according to (3) and (4). They differ in their variability, i.e., the values of their variation coefficients. For the first series, the variation coefficient value of the generated series is 0.042 = 4.2%; for the second one, this value is about ten times higher, i.e., 0.459 = 45.9%. We have generated \( n = 60 \) observations in both instances. The visual outcome is shown in Figures 1 and 2 (\( y_t = \) generated data; \( Y_t = \) trend line values; \( Y^{pH} = \) the fin’s upper contour; \( Y^{pD} = \) the fin’s lower contour).
Figure 1. "Fin-shaped" model for a low-variability series

However, the "fin-shaped" model will only be made up based on 56 observations, and the remaining four will be set aside for future use. That is, we set up two "fin-shaped" models, each from its respective 56 observations, according to Equations (29) through (31) derived above. Finally, we construct the non-stochastic prediction spans with emphasis on our studying the ability of each such span to reflect the future evolution, or rather, the effects of variability on this ability. Figure 1 sums up our results for the time series with the value of the variation coefficient equal to 0.042.

In a fully analogous way, we have created the second "fin-shaped" model (again for 56 observations and setting aside four observations for later use). The only difference is the higher variability of the second series. Figure 2 sums up our results for the time series with the value of the variation coefficient equal to 0.459.

Figure 2. "Fin-shaped" model for a high-variability series
The visual comparison clearly indicates that the "prediction fin" made from the lower-variability data (Table 1 and Figure 1) is able to envelop the real data. The observation we originally set aside, i.e., $y_t$ for $t = 57, \ldots, 60$ fit inside of the prediction fin – cf. Figure 1. This prediction fin, however, does not envelop the “last year” data, i.e., $y_t$ for $t = 57, \ldots, 60$. In other words, the variability of the data to be interpolated is a primary, even if not sufficient, condition for reliable non-stochastic predictions.

We will now carry out a more detailed analysis of real time-series data, namely, the quarterly values of final consumption expenditure in the Czech Republic in the period 2003-2017 (source: Czech Statistical Office; www.czso.cz). Four values of this index from 2017 are again set aside, and we will try to use the "fin-shaped" model from the years 2003-2016 for the prediction of the four quarterly values of 2017 and compare those predictions with the actual 2017 data.

The final consumption expenditure value is one of the key macroeconomic indices in the area of the quarterly national accounts; it is based on the expenditure incurred by households, general government, and non-profit institutions serving households on the final consumption goods and services. The households' final consumption expenditure includes the value of the purchased goods and services, imputed rents, domestic services, etc. The general government's final consumption expenditure includes the individual and collective consumption expenditure values. The general government's final individual consumption expenditure corresponds to the social transfers in kind for households; the general government's final collective consumption expenditure includes all the remaining non-individualised expenditure (on administration, defence, security, science and research, etc.). The latter equals the general government's actual final consumption. For the non-profit institutions serving households, the final consumption expenditure always includes individualised expenditure; it corresponds to the social transfers in kind in favour of households.

This index also sensitively reflects the economic development in the monitored time period, which is a truly varied sample of different stages of the Czech economic cycles. Its beginning years, 2003-2007, were times of economic conjuncture, followed by the worldwide mortgage crisis, approximately from 2008 to 2010, which severely affected the Czech economy as well, including the final consumption expenditure values. After a short recovery in the years 2010 and 2011, a new wave of troubles with the economic growth came (not only in the Czech Republic), mainly caused by the fiscal problems of developed economies. In the remaining years of this period, a recovery again occurred, also prevailing in 2017. It is the evolution of the final consumption index in this year we will try to estimate and then compare with the actual values, already known now.
"FIN-SHAPED" PREDICTION INTERVAL FOR THE TIME SERIES OF THE FINAL CONSUMPTION EXPENDITURE

The procedure of constructing a non-stochastic prediction span will be now illustrated on a time series comprising the final consumption expenditure values. Our predictions will be based on a sequence of quarterly values of this index beginning in the 1st quarter of 2003 until the 4th quarter of 2016. It means \( t = 1, 2, \ldots, 56 \), where \( t = 1 \) corresponds to the 1st quarter of 2003, and \( t = 56 \) to the 4th quarter of 2016. This time series (its original data are written below in Table 1) is characterised by a lower level of variability (namely, \( \nu = 0.125 = 12.5\% \)), even though, in the Czech economy, time series from the same time period occur whose variability levels are even lower. The value of the variation coefficient \( \nu \) we refer to can be viewed as a good precondition for applying the "fin-shaped" non-stochastic prediction span.

After deriving the "fin-shape-based" predictions for all four quarters in 2017, we compare these with the actual ones, which are now officially known. The data from the period 2003–2016 are given as current prices in million CZK, and they have been seasonally adjusted; such adjustment is a condition necessary for the application of the presented method.

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<td>643,842.6</td>
<td>643,842.6</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>26</td>
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<td>648,785.3</td>
<td>648,785.3</td>
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<td>0</td>
</tr>
<tr>
<td>27</td>
<td>682,614</td>
<td>653,727.9</td>
<td>653,727.9</td>
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<td>0</td>
<td>0</td>
</tr>
<tr>
<td>28</td>
<td>685,898</td>
<td>658,670.6</td>
<td>658,670.6</td>
<td>658,670.6</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Table 1. The "fin-shaped" model for the time series of the expenditure on final consumption (in million CZK, current prices)

Note: the following notation is used in this Table: \( y_t \) = generated data; \( Y_t \) = trend line values; \( Y_H^\# \) = the fin's upper contour; \( Y_D^\# \) = the fin's lower contour; and \( \delta_H^* \) = \( Y_H^\# \) \( - \) \( Y_t \).

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Our primary task is now to establish the values of the $p$ and $q$ parameters. We have to choose them so that the curves interconnecting the $Y_t^H$ values (corresponding to the $p$ parameter), and $Y_t^D$ values (corresponding to the $q$ parameter), visually make up a "fin" into which a substantial part of the $Y_t$ real values fall. We have chosen $p = 0.20$ and $q = 0.75$ to meet this requirement. Some other choices close to this one would be possible; we can verify this statement experimentally. The following parameter values of our model are calculated with the aid of Equations (5), (6), (27p), (27q), (28p), and (28q):

\[ a = 520,275.65; \quad b = 4,942.677; \quad a_p = 305,429.026; \quad b_p = 219,789.301; \quad a_{1+q} = 525,216.779; \text{ and } b_{1+q} = 1.5488. \]

The four "set-aside" values are shown in the bottom of Table 1, highlighted in grey, together with the prediction span values between the limits, which equal $Y_t^H$ and $Y_t^P$. A chart showing the achieved results, including the fin shape, is given in Figure 3 below ($y_t$ = generated data; $Y_t$ = trend line values; $Y_t^H$ = the fin’s upper contour; $Y_t^P$ = the fin’s lower contour).

![Chart of the "fin-shaped" model for the time series of the expenditure on final consumption](image)

Figure 3. The chart of the "fin-shaped" model for the time series of the expenditure on final consumption

We can see in Figure 3 that we have been able to estimate quite exactly the evolution of the final consumption expenditure in the Czech Republic for the four calendar quarters in 2017 (that is, $t = 57, ..., 60$). The real values are indicated by bold print in Table 1; the model values of the upper and lower limits of the fin are next to them in normal print.

The percentage error of our non-stochastic prediction span is not higher than about 0.5%, which can, by and large, be considered an exact prediction of the future evolution of the expenditure on final consumption in 2017. This result is all the more valuable concerning the fact that this time series covers times of rather turbulent developments in the (not only) Czech economy, in which recession and recovery periods quickly took turns. Despite those complications, the selected “fin-shaped” prediction method has...
been capable of describing the process satisfactorily, and successfully predicting the evolution in all four quarters in 2017.

CONCLUSIONS

The goal of the present paper is to explain a novel method for constructing a non-stochastic prediction span in a time series. The original feature of this method is the way in which the past behaviour of the time series is projected to the future, namely, with the aid of a specific combination of two parameters, $p$ and $q$, of the polynomial trend. This approach thus interconnects two aspects of the trend modelling: the concept of models with constant parameters on the one hand, and with variable ones on the other hand. This method is in particular suitable to be applied to processes that are not subject to sudden external interventions into their development, not seasonally affected (if they are, the seasonal effects have to be filtered away), and whose character is not overly explosive. An advantage is that we do not have to achieve stationarity, which is a usual prerequisite in many other time series models.

The above-mentioned results of the comparison analysis on simulated series with low/high variability level seem to indicate that the higher the variability in the past evolution, the wider the span between the limit trends (which are the "fin" contours, as all our Figures show), and vice versa. A similar phenomenon can be observed in the "fin-shaped" Project Documentation spans. A high level of variability (approximately, with the values of the variation coefficients above 0.25) provides virtually no certainty about the quality of our predictions. On the other hand, even a low value of the variation coefficient is not a reliable condition sufficient for a good quality of predictions (if it were, the ceteris paribus principle would be contradicted).

Certain open questions remain in the concept of the non-stochastic fin-shaped prediction. The choice of the $p$ and $q$ parameters plays a key role. We have two basic options here.

The first option is to choose these values so that a vast majority of the observed values fall between the limit polynomial trend curves. Let us once again recall that seasonal adjustment of the underlying series is a sine qua non prerequisite. If it is not met, the "fin" is unable to envelop the time series values (because the seasonal fluctuations quickly run away, that is, do not remain within the fin limits).

The other option for choosing the $p$ and $q$ parameter values is using a classical pseudo-prediction method. It means reducing the time series length by several values (in our example, we set aside four values), derive the fin-shape-based predictions, and finally compare the predicted values with those set aside before. From the viewpoint of computations, this approach requires that we investigate all possible combinations of the $p$ and $q$ parameters. There are infinitely many such combinations, which means that we have to reduce this task with the aid of the first-mentioned approach, based on the visualisation of the fin shape. After identifying the admissible combinations of the $p$ and $q$ parameter values (and the
number of such combinations will have been substantially reduced), we will calculate the values of the Theil coefficients and determine the best variant for the parameters based on those coefficient values.

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HOW ITALIAN AGRIFOOD PRODUCTS COMMUNICATE THEIR AUTHENTICITY? THE BRAND-LAND LINK INVESTIGATED ON THE WEB

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ABSTRACT

Company websites play an important role in communicating information, but it is still unknown their potential for stirring emotions, i.e. creating involvement and, if possible, a stable relationship with the consumer.

This paper seeks to analyse the experiential dimension of websites that are exemplary of best practices in the Italian context and best represent the brand-land relationship of agrofood products with high-level of cognitive value, trying to understand as the success of certain regions in becoming famous “brands” thanks in part to the value of their products (e.g. Champagne, Gorgonzola, Montalcino, etc.)

The research was conducted by designing and testing an ad hoc model (called SObER) and by means of the focus group technique, which made it possible to identify and assess the essential variables for promoting and publicising the brand-land relationship via the Web.

Keywords: Web 2.0, agrifood products, brand-land relationship, company’s website, experiential website, experiential evaluation model

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1. PREMISE

Authentic agro-food products play an important role in food-and-wine heritage, particularly in Italy. Indeed, they have an identity – which in strategic terms can be called “unique” – arising from various factors, tangible and otherwise (Maizza & Iazzi, 2011; Scorrano et al., 2013; Maizza et al., 2013), such as
traditions, habits, customs, history and culture, as well as climate, landscape and production methods that have become consolidated over time.

Although authentic agro-food products are enjoying consistent and growing sales, they still account for only a small part of spending on food as a whole, which is why there may be interesting potential for growth that requires forms of promotion based on precise marketing measures. These measures must seek to enable authentic products to fulfil their potential, making them recognisable and raising their profile, thereby creating value for the companies that make them and for their regions of origin (Ribeiro & Santos, 2008). Indeed, as Keller points out (1998, 1993; Keller et al., 2005), the concepts of brand recognition and brand recall are at the heart of the broader concept of brand image.

The cognitive values possessed by origin-based products (otherwise known as brand-land products, whose characteristics will be explained in greater detail in paragraph 3.1) mean that they are “information intensive” (Watson et al., 1999), and are thus likely to benefit from the implementation of so-called experiential marketing strategies (Schmitt, 1999; Pine & Gilmore, 1999).

For these products, the role of the experiential dimension appears to be particularly significant because it enables the consumer to remember the region, its history and its culture. The product thus becomes a cognitive element that can transfer experiences (actual or imagined) to different moments and places. Seen from this perspective, the Web (Cleff & Thomas, 2017) represents a particularly useful means of channelling the experiential value of the brand-land association. This can take place however only if the elements (texts, images, sounds, etc.) are properly harmonised and coordinated.

Aligned to the above-mentioned reasons, the scope of the paper is to improve the online communication of the agrofood products by means their link with the own region of origin in order to recall experiential aspects and emphasise the brand-land connection. In other words, assuming that the implementation of marketing communication strategies based on “experience-providing” websites (Ferraresi & Schmitt, 2006) can enable the local dimension to enter the global context, through the study of the experiential dimension (Customer Experience Management, Schmitt, 2003) of the websites of brand-land products and an adequate focus on those perceived as more specific/authentic (Pine & Gilmore, 2009) by the consumer, the research tries to define the drivers of online experiential communication for the authentic agrofood products. This could enable for these products also, to create a virtuous circle between virtual and real worlds in which brand notoriety is consolidated and becomes self-sustaining, enabling the region itself (the land) to become a brand.

2. THE THEORETICAL FRAMEWORK

The geographical, cultural, historic and social components of authentic products mean that they are categorised as “hedonistic” (Holbrook, 1980; Hirschman & Holbrook, 1982; Chaudhuri & Holbrook,
2001). Indeed, they tend to occupy – in the dynamics of consumption – a space that is not definable as the mere satisfaction of a need. They are also – and above all – characterised by the full involvement of the consumer, which transcends the product and has complementary effects, linked to the sensations and emotions targeted by experiential marketing. The customers thus become the protagonists of their own experience of consumption, expressed in a curiosity to learn about and visit the places of production, to participate in “memorable” events and to enjoy unique and unrepeatable experiences (Pencarelli & Forlani, 2006; Pine & Gilmore, 1999; Schmitt, 1999).

For this to happen, consumers must fully perceive the value of such products: in addition to the concept of **authenticity** there must also be that of **brand fame/notoriety** which, as we know, requires a suitable process of communication. The latter can be achieved by means of interactive and experiential approaches, both online (e.g. the so-called Web 2.0 formula) and offline, in accordance with the **integrated marketing communication** approach (Schultz et al., 1993; Kitchen et al., 2004; Duncan & Mulhern, 2004).

In Italy, an example of the safeguard and promotion of authentic products, as well as of their deep connection to their places of origin, is the producers’ associations (Consorzi di Tutela). In the best cases, they have shown that organised cooperation can transform the traditional activities of a region into an **identity**, which it can then raise into a fully-fledged **brand**.

The formulation of the theoretical hypotheses was based on two theoretical macro-areas in marketing studies (summarised in the following paragraphs), which appear to be closely linked, especially in reference to the products we are dealing with here. As we have said, these products are strongly rooted in their context of origin and possess a combination of values and emotions that can be usefully employed in experiential marketing strategies.

**2.1 The Brand-Land concept**

Authentic products, in French known as **produits du terroir** (Arfini et al., 2010), are products characterised by a close and indissoluble link with a specific **terroir**, i.e. with the geographical and human identity of their region of origin. The meaning of the word **terroir** developed in the mid 19th century in France, although it should be regarded as a concept in continuous evolution (Vaudour, 2005, Barham, 2003, Dedeire, 1995; Dubois, 1994).

A more extensive analysis of the aspects of authentic agro-food products leads to the identification of four dimensions: **geographical**, regarding the pedoclimatic conditions that affect the product, making it unique (from the raw materials to the production process); **historical**, understood as the sum of the knowledge and know-how accumulating over time within the place of reference, i.e. the human factor; **cultural**, resulting from the values, beliefs, knowledge and traditions that are consolidated in the region and determine the principles that guide the inhabitants’ way of life and thought; **social**, as an effect of
the relational and behavioural rules that characterise given contexts.

On all of this depends the deep-seated link (here called the brand-land relationship) that such products have with their respective place of production in the wider sense, since the features that make them authentic are not replicable or “exportable” beyond that specific context (Mastroberardino, 2004; Maizza et al., 2003). The identity of a region (the so-called place-identity; see Siano, 2001 and Siano et al., 2008), from which the specific character of the products arises, is the direct consequence of its traditional economic activities (the so-called place-personality), which determine the place-image (Peterson & Jolibert, 1995; Roth & Romeo, 1992; Usunier & Cestre, 2007, Maizza & Iazzi, 2011).

When the land (region, terroir), the “primary economic resource” in which “the experience of production” takes shape (Rullani, 2000) and guarantor of the product’s authenticity (Gilmore & Pine, 2009), becomes widely known, it becomes synonymous with these features. From this perspective, the brand-land combination is linked to the concept of the common good, i.e. an intangible asset that encapsulates the values and behavioural models of a socio-geographical area in which the cultural traditions expressed by the products discussed here are consolidated. This asset generates and transfers value (including economic value) to a plurality of subjects, who, in order to preserve it and increase it, must respect its underlying essential conditions and behavioural rules. In Italy, as we have said, these criteria appear to be met particularly well by the producers’ associations of the authentic products, which, in the best cases (such as those analysed here), have managed to safeguard and promote a combination of elements and traditions, even in the global context. In this way land is brand and thus, via consumer loyalty it is able to create equity for a plurality of subjects.

3.2 The experiential content of authentic products

The considerations set out above resonate with the principles of experiential marketing (Pine and Gilmore, 1999; Schmitt, 1999), since they enable a change of perspective: it is no longer a question of promoting just the company product / service, but the experience that can enhance its value, which then becomes “unique and unrepeatable” for the consumer (Pine & Gilmore, 1999; Schmitt, 1999). This approach is the fruit of two main trends (Codeluppi, 2001; Knutson et al., 2006; Schmitt 1999; Pine & Gilmore, 1999): the behaviour of the modern (or post-modern) consumer, who, thanks to today’s technology, has become more informed and interactive (as much with other consumers as with companies), and therefore more demanding and anxious to assert his/her personality via “emotive” purchasing choices. The increasingly companies’ marketing strategies that are based not on the use value of their products/services, but on the company’s values, in which the brand itself becomes an archetype of an experience, i.e. a dynamo of many experiences, via atmospheres that arouse emotions, sensations and the holistic involvement of the consumer.
By adopting this approach, which falls within the scope of so-called Customer Experience Management (Ferraresi & Schmitt, 2006), companies therefore create and implement a strategy for managing the consumer’s experience with the product, in which contexts of use and consumption are analysed, designed and proposed.

Even when it is transmitted via advertising – the experiential dimension enables: a) the consumer to perceive the product (and the region of origin) differently, attributing a higher value to it on the basis of his/her personal experience, making it thus not comparable with other brands; b) the company to apply a premium price by virtue of its differentiated competitive positioning.

Starting from these assumptions, and consistent with the experiential grid proposed by Schmitt (1999; Ferraresi & Schmitt, 2006), it was considered useful to focus the analysis on so-called Experience Providers (ExPro) – in this specific case, company websites – and on the types of experience to be enjoyed by the consumer, the so-called Strategic Experiential Modules (SEM). In order to observe the value attributed to brand-land products by web users, the SEMs were arranged as follows (Table 1).

Table 1. The Strategic Experiential Modules (SEM) for the brand-land products

| Sense | Brand-Land perspective: The sensory dimension (sight, hearing, touch, taste and smell), through which the perception of the product is stimulated, recalling its region of origin in particular. |
| Feel | Pertaining to the consumer’s affective involvement with the brand, in the phases of both purchase and consumption, with the aim of establishing a relationship with the consumer and increasing his/her loyalty. |
| Think | Brand-Land perspective: The cognitive/creative and problem-solving dimensions, by which companies seek to draw the consumers’ attention via initiatives that involve the sphere of intellectual activities linked to the product and/or region of origin, as well as the connection through them. |
| Act | Brand-Land perspective: The dimension of acting (and interacting), in which the company promotes initiatives which also involve the region of origin with the aim of inducing consumers to modify their lifestyles, involving them in “physical” experiences that cause them to reflect. |
| Relate | Brand-Land perspective: The dimension of personal and inter-personal relations, based on the creation of experiences that enable consumers to get in touch with their ideal selves or with a group of people that share the same interest in the product in question and its region of origin. |

3. RESEARCH HYPOTHESIS AND METHODOLOGY

1 The experiential grid proposed by Schmitt (Schmitt, 1999ab; Ferraresi & Schmitt, 2006) makes it possible to strategically plan the experience to be enjoyed by the consumer on the basis of two dimensions: i) Strategic Experiential Modules (SEM) which can be broken down into five different aspects (in which the degree of involvement grows sequentially from one module to the next; see Table 1); ii) the Experience Providers (ExPro), which determine/provide/stimulate the various experiences; they activate the experiential modules (SEMs) and are associated with activities connected with the following elements.

2 The ExPros are: communication, visual/verbal identity, product presence, co-branding, Websites and media, people.
This paper is based on the following logical construct: in order to become well-known, authentic agro-food products must express their link with their region of origin by means of forms of online communication that recall experiential aspects and emphasise the brand-land connection.

This study therefore aims to analyse the experiential dimension (Customer Experience Management, Schmitt, 2003) of the websites of brand-land products, to see how they can be perceived as specific/authentic (Pine & Gilmore, 2009) by the consumer. It is assumed that the implementation of marketing communication strategies based on “experience-providing” websites (Ferraresi & Schmitt, 2006) can enable the local dimension to enter the global context, making it possible to create a virtuous circle between virtual and real worlds in which brand notoriety is consolidated and becomes self-sustaining, enabling the region itself (the land) to become a brand (Iaia et al., 2016, 2017).

The company website represents a means of communication between the consumer and the company, which must also be able to create consumer involvement (measurable by means of specific factors such as the duration of the visit, return visits, etc.). The recourse to an experiential logic in web communication can facilitate/emphasise the brand-land connection, increasing the brand notoriety (a pre-condition for competitive success) and the competitive capacity of authentic (brand-land) agro-food products. This logic also takes account of a) the factors that prompt the consumer to visit a website, b) the formation of their perceptions (Rodgers & Thorson, 2000; Rodgers et al., 2007) and c) the potential significance of the emotional dimension for products with a high cognitive content.

In this perspective, an answer was sought to the following question:

What are the key elements for transmitting the experiential dimension and the brand-land connection of authentic agro-food products in online communication?

To answer this question, we analysed the communication strategies of certain brands considered to reflect best practices in advertising based on the link between the product and its region of origin. These cases of excellence were identified with reference to previous research that studied in detail the salient aspects of web communication. Specifically, this study looked at the Consorzi (producers’ associations) responsible for (see also Maizza et al., 2013, Scorrano, 2013; Fait et al., 2013; Scorrano et al., 2013, Fait & Trio, 2011a, 2011b):

i. wine sector, Consorzio Vino Chianti Classico, Consorzio dell’Asti D.O.C.G., Consorzio del Vino Brunello di Montalcino (for further details see: www.chianticlassico.com, www.astidocg.it, www.consorziobrunellodimontalcino.it);

ii. cheese sector, Consorzio per la Tutela del Formaggio Gorgonzola, Consorzio di Tutela del Formaggio Grana Padano, Consorzio del Formaggio Parmigiano Reggiano (for further details see: www.gorgonzola.com, www.granapadano.it, www.parmigianoreggiano.com);
iii. meat product sector, Consorzio del Prosciutto di San Daniele, Consorzio del Prosciutto di Parma
(for further details see: www.prosciuttosandaniele.it, www.prosciuttodiparma.com).

The model used to assess the experiential content (i.e. the overall importance of the experiential aspects) of the websites exemplifying the above-mentioned best practices is founded on strategic experiential modules (SEMs – sense, feel, think, act and relate) (Schmitt, 1999; Ferraresi & Schmitt, 2006), which were contextualised and categorised as elements for assessing the websites. For this to succeed, a suitable method (dubbed SOber) was conceived and tested for determining and assessing a website’s experiential dimension, applying it to the sector in consideration. The method is divided into the following steps:

(1) Identification and selection of the key elements with which to assess a website’s experiential dimension (Selection), on the basis of each strategic experiential module with reference to the organisation of the information (textual and visual content). To this end, recourse was made to n. 3 focus group of the “inspection” type (Mich, 2007), one for each sector, composed usually of 9-10 experts in communication and marketing in the sectors, as: n. 3 sommeliers; n. 3 oil tasters; n. 3 sociologists; n. 5 communication managers; n. 3 copywriters; n. 4 marketing researchers; n. 2 CEO; n. 4 business communication experts. Discussions were conducted in July 2015 at University of Salento, by a moderator and his assistant (who played a key role in data analysis) and generally lasted ninety minutes.

(2) Observation of the behaviour of consumers, web marketing experts and people with knowledge of the agro-food sector (Observation), via n. 3 user-based focus groups (Mich, 2007), in order to analyse:

- the use of content, via navigation in the website;
- the perception of the experiential aspects, via comparative assessment of the key elements identified with the help of the experts cited in point 1;
- the degree of involvement that follows from these elements.

This led to a final evaluation of the experiential dimension, which expressed the interviewees’ summary verdict. The user based focus groups, conducted with the same modalities of the precedents, involved: n. 4 consumers, n. 4 web marketing experts, n. 3 food sector experts; n. 5 communication managers; n. 3 sommeliers; n. 2 oil tasters; n. 1 sociologist; n. 3 marketing researchers; n. 3 CEO. Each focus group was made by 9/10 people, lasted one hour and forty-five minutes circa, and they abled participants to fill an evaluation grid (experiential degree) in order to express their impressions and feelings about the examined website.
(3) Processing of the opinions expressed by the interviewees (Evaluation and Ranking), useful for ranking the experiential content of the websites considered.

The SObER model, the fruit of detailed studies based on the theme of experiential marketing (Schmitt, 1999), highlighted the existence of certain more intensively perceived aspects, which were thus considered to be the *drivers of online experiential communication*.

This paper thus belongs to a field of enquiry that has yet to be extensively tackled in the marketing literature, despite universal recognition of the importance of the web in advertising and users’ purchasing decisions. It makes particular reference to those types of product whose presence on the market is limited to a place-based niche.

### 4. WEB COMMUNICATION, EXPERIENTIAL CONTENTS AND THE BEST CASES OF THE BRAND-LAND COMBINATION: AN EMPIRICAL INVESTIGATION

**RQ: What are the key elements for transmitting, in online communication, the experiential dimension and the brand-land connection of authentic agro-food products?**

The following paragraph shows the main results of the investigation of the case studies considered here, conducted by means of the two kind of focus groups described above (inspection and user-based), for a total of six focus groups. So, the description below can be considered as a summary representation of the assessments, considerations and suggestions that emerged during the meetings.

The interviewees’ assessments on a five-point Likert scale (in which 1 is poor and 5 is excellent) will be discussed in the next paragraphs. This assessment is useful since it enables comparisons and thus comparative analysis of:

1. the various competitors;
2. the most strongly perceived SEMs;
3. the emotional communication expressed by the website and perceived by users (in this specific case, the space available in this paper did not allow for gap analysis).

#### 4.1 The origin-based products: the “sense” SEM

The analysis conducted shows that *sense* is the “module” that is most intensely perceived by users – as argued by Pine & Gilmore (1999), “*the more sensory an experience, the more memorable it will be*”. This is achieved above all by recourse to visual cues, but also to smells and flavours. Indeed, textual, visual and audio-visual content focusing on:
the region of origin, the product and the link between the two are emphasised by means of
the description and images of the *terroir* (*sight sense*), its history and its *comuni* (districts) of
production (see *Chianti Classico, Brunello di Montalcino*: vines, hills, woods, fields in bloom,
traditional rural buildings; cfr. Fig. 1); the structural and visual characteristics of the
product and its production processes, highlighting its authenticity and uniqueness and
educating consumers (*smell/taste senses*) as to how they can recognise it (see *Chianti
Classico, Brunello di Montalcino*: vintage, bunch of grapes, colour of the product); explanatory
images and captions that link the specifics of the product to the pedoclimatic and historical-
cultural conditions of the product’s places of origin (see *Prosciutto di Parma*: characteristics
of the raw materials, climate and authentic techniques used in the region; colour and black-
and-white images of the valleys of Parma through history showing the conservation of a
natural and uncontaminated environment, in which traditions, innovated and modernised,
are handed down from generation to generation);

- the sounds of the production process (*hearing sense*), especially regarding the
  transformation of the product therefore linked to both the region of origin (see *Chianti
  Classico*: sounds of nature, conversations of farmers busy harvesting the grapes) and the
  product (see *Chianti Classico*: bottle of wine being opened, serving the wine, clinking of
  bottles during the production process; images of the winery that evoke the silence and
  tranquillity of the locations; auditory analysis of the maturity of the cheeses of *Parmigiano
  Reggiano*); sounds of tradition (traditional feasts, special events, etc. – see *Chianti
  Classico, Parmigiano Reggiano*); the silence of the places of production, with a strong appeal
to the concept of time, the seasons, the naturalness of the product, i.e. *slow food* and a healthy
and balanced lifestyle (see *Chianti Classico, Parmigiano Reggiano, Prosciutto di Parma*);

- the main “tangible” components (*touch sense*) that distinguish the product and make it
  immediately recognisable are recalled for experts and ordinary consumers alike (see *Chianti
  Classico, Brunello di Montalcino*: consistency of the soil and bunches of grapes; *Prosciutto di
  Parma*: delicacy of the slice; *Parmigiano Reggiano*: master cheese-makers processing the raw
  material in order to transform it into the finished product in accordance with traditional
  rules);

- the description of the product’s aromas and fragrances (*smell/taste sense*), which are
  associated with the place of production understood in terms of its physical characteristics,
i.e. the soil, climate, history and culture (see *Chianti Classico*: authenticity and uniqueness
  of the wine’s bouquet – the floral fragrance of irises and violets, of spices and forest fruits;
Parmigiano Reggiano, Prosciutto di Parma: processing and fire branding; olfactory analysis of the maturity of the product; appeal to the cool and natural state of the places where the product is matured). The sense of taste is invoked by reference to tasting alone or with other foods, often-available in the region (see Chianti Classico, Brunello di Montalcino Parmigiano Reggiano, Prosciutto di Parma).

4.2 The origin-based products: the “feel” SEM

Although the smell and taste senses are hard to convey via the web they are communicated by videos which (for example) show the consumer the product’s associations and the distinctive features of the region of origin in a wider sense, or teach the basic notions for correctly performing a sensory analysis of the product, both in an educational framework (SEM: feel).

In fact, the involvement of users is centred on:

1) suggestions as to when the product could be used, with reference to:
   a) the food-and-wine heritage of regional cuisine (Tuscany for Chianti Classico, Emilia Romagna for Parmigiano Reggiano and Prosciutto di Parma, the North of Italy for Grana Padano and Friuli Venezia Giulia for Prosciutto San Daniele) and, more generally, Italian cuisine and the Mediterranean diet;
   b) the Italian tradition of dining with the family (see Parmigiano Reggiano) or with friends (see Chianti Classico);
   c) the product’s versatility of use, depending on the consumer’s needs, given its capacity to adapt to the tastes of all age groups and its nutritional properties (target clientele considered: children, women, the elderly and sports players; see Parmigiano Reggiano, Grana Padano and Prosciutto di Parma);

2) online education (textual and/or audio-visual), aimed at helping the public to learn the steps into which the sensory analysis of the product is divided, including the preparation of dishes that envisage the use of the products in question (see Parmigiano Reggiano, Grana Padano, Prosciutto di Parma and Prosciutto San Daniele);

3) cookery courses and tasting courses to be held at the Academies of the Consorzio (see Parmigiano Reggiano and Chianti Classico).

In this sense, all three case studies analysed effectively implement the above-mentioned stimuli, although the Chianti Classico website is held to be the most engaging (with a score of 4/5; Parmigiano Reggiano, 5/5; Prosciutto di Parma, 4/5).

4.3 The origin-based products: the “think and act” SEM

With reference to the last modules to be examined, i.e. think and act (which were considered together
given the substantial similarity of the two modules in the present case), it is seen that thanks to the appeal to the product’s health properties, naturalness and quality of the products and the Mediterranean diet, together with the promotion of a healthy lifestyle by means of events and the involvement of sports personalities, Parmigiano Reggiano again scores highly (5/5). In addition, the site provides the user with numerous angles from which to approach the “storytelling” of the product, which, together with the other SEMs cited above, creates engagement for the user.

However, each brand focus on the healthy and balanced lifestyle that every individual should enjoy (see Parmigiano Reggiano: “Never manufactured, always hand-made”, “The King of cheeses”; Chianti Classico: “the true heart of Chianti is the land”, “Not all wine made in Chianti is Chianti Classico”; Prosciutto San Daniele: “Naturale, Italiano, Unico”; Prosciutto di Parma: publication of the brochure entitled “diet and well-being” and advertising “100% natural”).

4.4 The origin-based products: the “relate” SEM

The relate sphere is made up by organisation of events, demonstrations and courses (for recreation, presentation and promotion) which bring together enthusiasts of the products being studied, with the intention of enhancing their loyalty by awareness-raising and acculturation to a healthy lifestyle and a balanced diet (see Parmigiano Reggiano: “I am what I eat: dietary education project” (organised by the Consorzio), involving 20,000 young people and 1,000 school teachers in Piedmont, Lombardy, Emilia-Romagna, Veneto, Tuscany and Rome; Parmigiano Reggiano Academy “The taste of knowledge”; Chianti Classico: Chianti Classico Academy, in the Gallo Nero wine school”).

5. CONCLUDING SUMMARY AND MANAGERIAL IMPLICATIONS

The study sought to verify the experiential dimension of the communication used by websites by means of a model of analysis created for the task (SOber), tested using the focus group technique (inspection and user-based).

Given the results of the test conducted, the application of the chosen methodology, created and verified in order to understand and assess the experiential content of websites, is argued to be replicable in contexts other than the one investigated here, since it makes it possible to first identify the basic elements of the experiential dimension and then assess them by means of user-based focus groups. Indeed, it was noted that in online advertising, experiential content represents a new frontier, whose opportunities (enhanced by the evolution of computer technology) appear to be numerous and fruitful for both marketing studies and managerial applications.

It is easy to see that the internet can play a fundamental role in the marketing of these products via the sharing of experiential content by i) the producing companies, on the “experience of production” (Rullani, 2006); ii) the users, on the experience gained in the physical place (whether this be the store or
the production site). By adopting this approach in advertising it is thus possible to involve other potential consumers via online and offline word-of-mouth communication (Prendergast et al., 2010; Solima, 2010; Riva, 2010), increasing the visibility of the products and their regions of origin in the international arena. This can have a positive impact on the behaviours and purchasing decisions of consumers and tourists alike (Lau & Ng, 2001).

To summarise, the study made it possible to verify that the emotional element can be communicated and perceived (even unconsciously), thereby enabling products with a high cognitive and experiential content (as in the case of place-based products) to gain a high profile and thus greater competitiveness in the international context.

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PROFITABILITY DYNAMICS OF TOURISM COMPANIES DURING THE CRISIS PERIOD 2007-2015

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ABSTRACT

The global financial crisis has affected all countries during the period 2007-2014. Tourist companies, especially in Italy, play a significant role in the economy of a country. The performance of tourism companies, and in particular hotels and travel agencies and tour operators, will be analysed in this paper, relative to the period of the crisis.

The aim of this paper is to analyze profitability dynamics of the aforementioned tourist companies, to check whether they have suffered the effects of the global crisis.

To this end, data from AIDA database relating to Italian companies in the sector were used. The profitability of these companies has been analyzed using the main profitability ratios, ROI and ROS ratios. An analysis of the trends and ANOVA of these ratios was carried out for the period 2007-2015. In this way, it has been verified whether the global crisis has affected profitability dynamics of hotels and travel agencies and tour operators in Italy.

There is a parallelism in the trends of the main operators’ indices in the three Italian macro-regions. The best performance is in the South, in a less developed economic context.

The crisis has reduced the income indices in the first three years, even if the figure remains positive. Since 2012 there is a clear recovery, especially for hotels; intermediaries, on the other hand, suffer from competition from websites. However, the indices confirm the close relationship between travel agencies, tour operators and hotels. ROI mainly rewards first, while ROS intermediaries.

Keywords: Tourism, Crisis, Profitability, Performance, Ratio

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* The paper is the result of a collaborative work. However it is possible to attribute to Felicetta Iovino: research methodology, results and discussion. The other sections are of Guido Migliaccio.
INTRODUCTION

The economic crisis that has recently hit many capitalist nations has developed a rich literature with respect to its effects on tourism.

There are numerous studies that have measured the fluctuations in the stock prices of the main operators (Zopiatis et al., 2018; Angel et al., 2018; Grechi et al., 2017), the effects on the psychology of tourists (Batle and Robledo, 2018) and residents of the host cities (Garau-Vadell et al., 2018), as well as the management of intermediaries (Blázquez-Resino et al., 2018; Bremser et al., 2017; Perles-Ribes et al., 2016).

In relation to these studies and those subsequently cited, this paper highlights the situation in Italy with specific reference to tourist companies, hotels and travel agencies and tour operators. In particular, its objective is to analyze the profitability situation of Italian tourist companies, during and after the 2008 crisis, about various geographic areas and the two tourist markets, hotels and travel agencies and tour operators.

The hypotheses are that:

(H1) the financial crisis did not significantly affect the profitability structure of tourist companies, by virtue of their resilience;

(H2) there are differences between groups belonging to different markets or geographic areas;

(H3) these differences are statistically significant.

To this end, we asked ourselves three basic questions:

RQ1: What is the actual situation and what has been the trend in the last decade in the various Italian geographic areas and business markets?

RQ2: Are there differences between the two markets or geographic areas?

RQ3: Are these differences significant?

For this aim, the profitability structure is evaluated using two ratios: the ROI (Return on investments) and ROS (Return on sales); the period considered is the eight years from 2007 to 2015; trend analysis and ANOVA has been used.

In the future, the research must be extended to other operators in the tourism sector and, furthermore, it will be necessary to investigate the main indices and asset margins to link them to the income surveyed here.

Our research approach is quantitative.
In the following sections, a review of literature on tourist companies is presented. Thereafter the methodology, results and implications, conclusions are discussed.

LITERATURE REVIEW

The theme of tourism is faced by a vast international bibliography. The sector, in fact, lends itself to multidisciplinary and interdisciplinary reflections. However, the economic aspects of the company enjoy significant, but certainly lower, attention, especially considering the balance sheet and balance sheet analysis that derive from quantitative empirical research. In fact, they need a laborious and articulated study of the quantitative results of the company and of statistical elaborations.

A first bibliographic reference, therefore, must address precisely these last aspects of a mathematical-quantitative type using, for example, the study of Ye et al. (2017) which offers useful reflections on the relationship between the core competition and the surplus value of listed tourism companies. Focusing on a series of research on the problem of the profitability of listed tourism companies, even if referring to the Chinese reality, this article is the closest to the object of our study.

An even more complex mathematical-statistical modeling applied to the tourism sector is presented by Yang et al. (2017) describing curvilinear effects of e-loyalty in China's online tourism industry. An empirical study was conducted in China. Structural equation modeling used to test the models, and pair-wise nested. Results show that the curvilinear model has greater explanatory power of loyalty than traditional linear models. This finding means that businesses should link online user-generated reviews to business performance in tourism. Finding incentives for users to become a part of the website.

The proposal by Wang and Fang (2010) is also worthy of a serious discriminant analysis and its application on the profitability of the whitening weight function easily. However, it presupposes specialized knowledge of statistical quantitative elaborations.

Econometric models that involve the profitability of tourism companies are also proposed in what will presumably be the tourist trip par excellence in the coming decades: that of sub-orbital space tourism. Already in 2006, in fact, Charania et al., using the data then available, of the market demand and the forecasts on the most probable future vehicle suppliers, tried to examine the economic profitability of the companies that wanted to present themselves in this particular and particular segment of the tourist market.

As part of this brief review of econometric modeling applied to tourism, it is also necessary to mention the work of Boz et al. (2015) about the systematic-risk determinants of the European accommodation and food services industry in the period 2003-2011.
Many other international scientific productions refer, instead, exclusively to accommodation companies (hotels) or to tourism intermediaries such as travel agencies or tour operators, sometimes avoiding complex quantitative elaborations, without however diminishing the intuitions useful for scientific progress and for the concrete improvement of company management. There is no comparative analysis between the two operators who, although offering obviously different services, are closely related because the former rely mainly on the action of the latter.

With prevalent attention to hotels, the study by Alvarez-Ferrer et al. (2018) who tried to focus on the key factors for success of these companies. It is a mainly bibliographic study, referring exclusively to the Spanish reality, which nevertheless manages to identify some factors that guarantee hotels durability and therefore also the ability to respond to crisis situations. Among these factors, the location certainly emerges, in Spain as elsewhere. A focus on this theme is proposed by Segarra-Oña et al. (2012). The identification of the successful elements of the Spanish tourism realities favor the entry of new companies as specified by Andreu et al. (2010). The Spanish study also refers to the quantitative study by Camisón et al. (2016) which focuses on the return on capital in tourism businesses. It has the merit of highlighting the role of family businesses spread in that country, as well as in Italy where this paper is located. Financial analyzes logically connected to the income ones of the Spanish reality are also in Such Devesa et al. (2009).

With reference to Tunisia, on the other hand, a similar analysis was carried out by Ben Aissa and Goaied in 2016, using data derived from 27 hotel companies. The study considered two fundamental information: Data Envelopment Analysis (DEA) and the Return On Assets (ROA).

The recent study by Xu (2017), which critically analyzes the operating and profitability efficiencies of the US listed hotel companies in the recent five years through a data envelopment analysis (DEA) approach, focuses on hotels. Findings suggest that they are highly efficient and profitable. His results are quite close to the income analysis for indices that is proposed in this work.

The profitability of hotels is influenced by several factors. Among these it seems important degree of commercial agglomeration in the tourist districts. Using the multiple linear regression method to a sample of Spanish companies located in a particular region, Marco-Lajara et al. (2014) have shown that hotels located in destinations with a higher degree of agglomeration are less profitable, probably due to the greater rivalry that exists between neighboring competitors. This conclusion, although in need of adequate interpretations with respect to the methodology and the data processed, is useful not only for the management of individual companies but above all because it adequately directs tourism development policies and related sectors.
The profitability of hotels also depends, of course, on the price policies adopted by each company, considering that different prices can be used in the different channels of communication with potential customers. This is what emerges from the study by Kim et al. (2014) entirely focused on the effect of price dispersion on hotel performance. Dispersion and hotel performance. It is suggested that customization and bundling strategies for offline channels enhance the overall profitability of hotels. Furthermore, the profitability of hotels as well as any other tourist company, and also related to the qualities of governance as emerged from the empirical research of Al-Najjar (2014) even referred exclusively to companies in the Middle Eastern countries.

Another factor that directly influences the profit of all tourism companies, and therefore hotels, is customer satisfaction. Among others, see the contribution of Sun and Kim (2013).

The food and drink industry is linked to tourism and, of course, to all accommodation facilities. The analysis of the profitability of this specific segment, in Croatia, is proposed by Pervan and Mlikota (2013). In this regard, the interconnections between hotels and restaurants are well described in Skalpe (2003) which focuses mainly on risk profiles.

The most recent developments relating to tourism focus attention on the sustainability of the sector and its operators. The theme makes use of ethical and social considerations and considers the respect of the environment and people as a priority, as well as the protection of local cultures and traditions. Profitability, therefore, should be subordinated to sustainability. The bibliography is extended. We limit ourselves to mentioning Mihalič et al (2012), Lim et al. (2012), Pérez-Calderón et al. (2011), Inoue and Lee (2011), Beriatos and Papageorgiou (2009), Kasim et al. (2008).

It is more difficult to find adequate bibliographic sources on the profitability of other tourism intermediaries, also considering that the diffusion of the Internet network favors the customers who autonomously plan their travels, avoiding the traditional intermediaries. However, even new intermediation web operators need adequate strategies to maintain at least sufficient profitability. The topic is discussed in the recent study by Zhu and Li (2017) which proposes a theoretical reference for the development of online tourism enterprises. Carrying out interesting reflections on a company that manages a site for tourist trips, he concludes that the evaluation model of the Internet is a business model that is made up of value groups, product and service, resource allocation and profit patterns. On the basis of this, the internal and external resources of the enterprise are integrated, ultimately the development strategy of the online tourism profit. Considering the trends in progress, this attempt to interpret the management dynamics of online intermediaries is certainly to be considered as a reference for areas to be investigated in more detail, even considering that the number of information obtainable online can generate confusion, as outlined in article by Ranjbarian et al. (2016). This study is aimed at
investigating the risk of confusion for the firms or service organizations in the tourism industry. Of these possible confusions must therefore take into account all the times that e-commerce is also applied to the tourism sector. Liu et al. (2009) has already dealt with its diffusion in two large countries such as the USA and China. In 2009, directing companies by enriching their websites' contents, establishing individual brands and enhancing cooperation with traditional tourism companies. These strategic lines are still valid.

In conclusion it is necessary to mention the work of Feng et al. (2014) about strategic restructuring for turnaround. It has the advantage of analytically describing the entire restructuring process as a response to a corporate crisis in the hotel industry. An indirect correlation with this paper that wants to focus on the economic performance of some tourism companies in the years of the global crisis. It also highlights the need for integrations between companies in the same tourism sector, as also feared by Pansiri (2008).

**RESEARCH METHODOLOGY**

*Data collection and sample characteristics*

To our objectives, secondary data on AIDA database has been used. To analyse the profitability situation, two ratios, ROI (return on investments) and ROS (return on sales) have been chosen. The nine years during and after the crisis, i.e. 2007-2015 had been considered. The sample was made up of hotels and tour operators and travel agencies, that is 6465 tourist companies. This is the maximum number of companies available. Then we verified the number of such companies for which data are available for the indexes considered by us in the 9 years under investigation. The sample consists of 794 companies. Successively, different groups have been identified using two discriminating factors, the geographic area and the business market. About the first one three clusters have been identified: north, centre and south according to conventional classification of Italian regions. The geographic distribution of the sample was the next: 51,55% in the North group, 30,67 % in the Centre and 17,78 % in the South ones. To identify the belonging market a specific section was assigned to each tourist firms according to the statistical classification of economic activities in Italy (*NACE rev.2 codes*), and they were grouped in two groups: hotel market and tour operator and travel agency market (Iovino and Migliaccio, 2018).

According to the second discriminating factor, the sample consisted of 87,15% hotel firms and 12,85% tour operator and travel agency firms.
Method

First of all we analysed data’s trend in the period 2007/2015 for each ratio and group. Then by the analysis of variance (ANOVA) we assessed the differences of means between groups and the response variable means at the different factor levels.

The null hypothesis states that all population means (factor level means) are equal while the alternative hypothesis states that at least one is different. In our case, the independent variables were the geographic localization and the business market while the dependent variables were the ratios. We chose ANOVA one-way type, because two variables were analysed separately.

RESULTS AND DISCUSSION

Trend analysis

ROI (return on investments) indicates the profitability of the typical management of the company and therefore of the core business. It is given by the ratio between operating income and operating net invested capital. Its value should therefore be as high as possible. Within the sample the nine year’s ratio between 1.84 and 6.65, if we consider the geographic localization as discriminating factor, and between 1.87 and 9.25, if we consider the belonging market. Figures 3 and 4 show that the mean over the nine years decrease considerably between 2007 and 2009 with the beginning of the crisis and then go back to
starting from 2012. The trend of ROI in the nine years is the same in all geographical areas. With respect to geographical areas, ROI has the lowest values in 2009 and 2012 respectively 1.84 and 1.9, while the highest values are in 2007 before the crisis, with 6.65 and in 2015 after the crisis with a value of 4.9. Market-based ROI trend also looks similar in the nine years. ROI values of travel agents and tour operators are higher than those of hotels, due to several factors including the greater weight of property, plant and equipment. Also according to the market of belonging, the values of ROI fell considerably between 2007 and 2009, the years of the crisis, going from a maximum of 9.25 to a minimum of 1.87. Subsequently, the values of ROI increase with the exit from the crisis, although recording a new decrease in 2012.

Figure 3: Trend of ROI according to geographic localization (our elaboration).

Figure 4: Trend of ROI according to market (our elaboration)

ROS measures the profitability of sales. It therefore relates operating income to sales. ROS should take as high a value as possible. Trend analysis highlights a situation of good profitability (Figure 5-6) both according to geographic localization and according to market. ROS throughout the nine years has always been between 7.58, 2007, and 1.61, in 2012, according to geographical location, and 7.58, in 2007, and 0.64, in 2012, according to the market. The trend of ROS in the nine years is substantially the same.
in all geographical areas. In fact, there has been a reduction in ROS from 2007 to 2009, at the beginning of the crisis, with a slight increase in the following years and a new minimum in 2012. In the following years the ROS increases progressively reaching pre-crisis values, with the exception of the center.

![Figure 5: Trend of ROS according to geographic localization (our elaboration).](image)

![Figure 6: Trend of ROS according to market (our elaboration)](image)

While we consider the classification by business market (Figure 6), the trend is overall stable for travel agencies and tour operators, while it is strongly negative for hotels. In fact, between 2007 and 2015 the ratio decreased from 7.58 to 2.43, with a reduction of 67.94%. Ratio values range between 1.72 and 0.64 in the travel agency. The values of the hotels ROS remain steadily higher throughout the period considered. The trend according to the relevant market shows that ROS of travel agencies and tour operators suffered less the effects of the crisis than hotels, for which ROS recorded the lowest values in 2009, with 2.49 and in 2012, with 2.48. These values tend to increase with the exit from the crisis, although at 5.81 in 2015. This value is similar to that at the beginning of the crisis. In general, we can verify that there are no significant deviations from 2008 values, when the crisis started. However, in the course of the crisis hotels have a ROS trend with greater fluctuations than travel agencies and tour operators. Different conclusions are for ROI. In fact, it is a more drifting trend. Therefore the hypothesis
H1 is partially validated. About the hypothesis H2, we are related to geographic areas. Thus the crisis seems to be on the profitability, especially on the sales, differently for the hotels.

Analysis of variance

About ROI, Table 1 shows the results of the analysis, assuming the geographic area as independent variable. There is no a statistically significant difference between groups ($F(2,24) = 0.529897$, $p = 0.595394635$), in fact $F < F_{crit}$ ($p$ value > 0.05).

<table>
<thead>
<tr>
<th>Source of variation</th>
<th>SQ</th>
<th>gdl</th>
<th>MQ</th>
<th>F</th>
<th>Sig.</th>
<th>F crit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between groups</td>
<td>1,482289</td>
<td>2</td>
<td>0,741144</td>
<td>0,529897057</td>
<td>0,595394635</td>
<td>3,402826</td>
</tr>
<tr>
<td>Within groups</td>
<td>33,56778</td>
<td>24</td>
<td>1,398657</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>35,05007</td>
<td>26</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The null hypothesis must not be reject and the alternative ones must not be accept. While if the business market is considered as independent variable the results, set out in Table 2, indicate a statistically significant difference between groups ($F(1,14) = 4,773$, $p = 0,000456543$), in fact $F > F_{crit}$ ($p$ value < 0.05).

<table>
<thead>
<tr>
<th>Source of variation</th>
<th>SQ</th>
<th>gdl</th>
<th>MQ</th>
<th>F</th>
<th>Sig.</th>
<th>F crit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between groups</td>
<td>38,3980556</td>
<td>1</td>
<td>38,3901</td>
<td>19,27287</td>
<td>0,000456543</td>
<td>4,493998</td>
</tr>
<tr>
<td>Within groups</td>
<td>31,8773556</td>
<td>16</td>
<td>1,992235</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>70,2753611</td>
<td>17</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The results of ANOVA applied to ROS show that we have to accept the null hypothesis if it is considered geographic localization as independent variable, while we have to reject the null hypothesis if we consider the market as independent variable. Therefore, only, in this last case, there is a statically significant difference between groups (see tables 3 and 4), which is already highlighted by the trend analysis.

<table>
<thead>
<tr>
<th>Source of variation</th>
<th>SQ</th>
<th>gdl</th>
<th>MQ</th>
<th>F</th>
<th>Sig.</th>
<th>F crit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between groups</td>
<td>10,79832</td>
<td>2</td>
<td>5,399159</td>
<td>2,435587842</td>
<td>0,108883298</td>
<td>3,402826</td>
</tr>
<tr>
<td>Within groups</td>
<td>53,20269</td>
<td>24</td>
<td>2,216779</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>64,00101</td>
<td>26</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The results of statistic analysis show that the hypothesis H3 of this research, previously described, is partially tested with regard to ROI and ROS if we consider both geographic localization and business
market, while it is fully tested if we consider only business market. In fact, there is a relevant difference between hotel business and travel agencies and tour operators business regard to infrastructural factors which have a considerable role in the profitability of hotels.

CONCLUSIONS

The tourism offer evolves all over the globe, especially because developing countries offer increasingly popular destinations because they are innovative and low-cost.

The Italian tourist offer remains, however, unique in the world considering the wonderful mix of natural, historical and artistic beauties. It also has a long tradition and therefore benefits from a positive reputation.

However, the accommodation facilities are often obsolete, sometimes of modest size, family-run and therefore in need of restructuring and modernization, similar to infrastructures and regulations on a rather complex regional basis.

This study wanted to focus the ability of the main operators in the tourism sector to resist the stimulus of the crisis, measuring their profitability over time, comparing it also with reference to the different areas of the country. It is well known, in fact, that Italy has notable territorial imbalances due also to previous historical events: North is notoriously richer than Southern regions.

The distribution of tour operators highlights these differences, considering their greater concentration in the northern regions and their progressive reduction going from North to South. Nevertheless, the parallelism that is won in the trends of the main income indices among the operators present in the three macro-regions of the Nation is impressive. Both the ROI and the ROS, in fact, follow similar trends throughout the broad period of time considered, with differences in absolute value not high. Wonder, however, the best income performance achieved by the southern companies, considering the less developed economic context: the motivations may be different and should be subject to a more careful and thorough analysis that matches the budget results to other statistical indicators such as, for example, the type of tourist present in the different areas, the place of origin and above all its potential spending capacity. It is probable, in fact, that the south enjoys a flow of customers more wealthy and more willing to spend, considering even the lowest prices.

These outcomes could also be justified by the higher running costs of the northern companies and also by the widespread presence of family-run businesses in South of Italy, which often rely on the indomitable action of family members that increases the efficiency of the workforce without a simultaneous increase in personnel costs.
We should also analyze the beneficial effects of possible interventions by public authorities in support of southern tourism, considering that over time hotels have also been able to take advantage of operating capital grants that have naturally made the investment more profitable. The crisis has also had its effects on hotels and tourism intermediaries, as is evident from the gradual reduction in income indices in the first three years. However, we must also underline that overall the average figure remains positive, even in the years in which other sectors have recorded almost disastrous results. Clumsy situations followed, however, since 2012 have assumed the clear symptoms of a decisive recovery, with a decidedly increasing trend.

The indicators considered confirm the close relationship between tourism intermediaries (travel agencies and tour operators) and hotels. Profitability follows very similar trends, even if we note an antithetical position considering ROI and ROS: the former, in fact, rewards mainly the tourist intermediaries, contrary to the second.

Also for these trends it would be necessary a deepening combining the income indices with the equity ones. However, some hypotheses could be formulated mainly linked to the composition of the elements measured by the first index which mainly focuses on the profitability of operations. It is evident that tour operators and travel agencies can enjoy lower fixed costs, instead much higher in hotels that are characterized by significantly larger invested capital. These conclusions have elements common to those of the Blázquez-Resino et al.’s study, (2018). The management of intermediaries is much more agile, even considering the beneficial effects of the Web that facilitate the relationship with customers avoiding massive uses in structures, however, necessary especially for traditional customers less accustomed to the use of the Internet.

It is, however, necessary to underline that the evident recovery in the profitability of the hotels is followed by a decidedly lower growth in the profitability of the intermediaries who presumably suffer from a reduced demand for their services due to the development of telematics which allows many tourists to design independently their travels avoiding the higher costs of traditional intermediaries.

The setting of the study is original and has no immediate similarity to facilitate a comparative analysis with previous studies.

Some quantitative publications have been mentioned, but they are mainly made up of advanced statistical and econometric tools that are not always relevant to accounting results and are often referred to environmental situations that are very different from Italian ones (Ye et al., 2017; Yang et al., 2017; Wang and Fang, 2010).

The proposals by Camisón et al. (2016), Such Devesa et al. (2009) and Andreu et al., 2010 have a preferable managerial approach, although limited to the Spanish reality more similar to the Italian one. With
exclusive reference to hotels, our results could in some way be compared to the intuitions of Alvarez-Ferrer et al. (2018) and especially those of Ben Aissa and Goaied (2016), Marco-Lajara et al. (2014), by Al-Najjar (2014) and Xu (2017).

The tourism offer evolves all over the globe. The Italian tourist offer remains, however, unique in the world with her long tradition and a positive reputation: the trends in force oblige, therefore, tour operators and travel agencies to a “strategic revolution”, considering a demand that is progressively decreasing, while maintaining instead a steady steadiness of the hotels. This “strategic revolution” must also consider positive experiences of similar states for tourism culture such as Spain (Bremser et al., 2017; Perles-Ribes et al., 2016).

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THE NEW LUXURY: INSIGHT FROM SUSTAINABLE BRAZILIAN LUXURY FASHION

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ABSTRACT

The topic of sustainability has come into vogue trying to help reverse the unbridled search for growth and profit through the extensive exploration of nature. Regarding the fashion market (especially the luxury sector), they carry with them the burden of one of the biggest pollutants of the environment. Osklen, a Brazilian luxury fashion brand, take its first steps towards becoming one of the pioneers of sustainability in the fashion world. Thus, the main goal of the current study is to analyse the perception of customers of Osklen about how the luxury brand deals with corporate social responsibility. A qualitative approach is employed using in-depth interviews. Data are encoded and treated using ATLAS TI software. Findings reveal that customers are aware of the social-environmental concerns of the brand without losing the identity of the country-of-origin.

Keywords: Sustainability; Corporate Social Responsibility; Fashion; Luxury market.

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1 INTRODUCTION

According to Cortes (2012), since the Palaeolithic humans already have some behaviour connected to luxury: ornaments, parties, unconcerned consumption of non-renewable goods, among others. At this time there is no material splendour, just the impulse of spending everything for the present pleasure not worrying about the future consequences. This is a revelation of a luxury mentality even before the existence of luxurious objects. The universe of Luxury -as it known now- arose from the need for a distinct social class, in particular for the top class of the pyramid. The intention is to stand out from the
others, using products that would provide them grandiosity. Examples of these are crowns, coats, rings, ornaments and noble fabrics. These artefacts are considered exclusivity of the wealthiest class and served as a mean to show their superiority. They are also taken as measurement of the wealth of a nation since the manufacture and sale of these luxury goods occurred only where there is the possibility of commercialization.

As Michael Rae claim, “something that is beautifully made, finely crafted, made out of rare materials and well designed, will account for nothing if it is also equated in the public mind with human rights and environmental destruction” (De Beers Group 2008, p. 26). In this era of increased consumerism and activism, luxury brands are forced to become more transparent and socially responsible.

The notion of responsible luxury has received wide attention these days, especially after the news of Gucci maltreating its employees in its stores and Prada and Dolce & Gabbana exploiting illegal Chinese immigrants in their Tuscan factories (Caixiong, 2011; Wilkinson, 2008). In responding to such situations, many luxury brands, namely, Armani and Chanel have initiated corporate social responsibility (CSR) practices. Consumers may respond positively to environmental claims made by these firms when those claims emphasize status-related benefits (Steinhart et al., 2013).

The main propose of this study is to get a thorough understanding of the new slope of luxury that no longer focus on the values of the old luxury - status, distinction, power - but instead, has some principles of Corporate Social Responsibility embedded on it. In order to get a better insight on this new concept and how it has been communicated, the Brazilian luxury fashion brand Osklen is chosen as object of this study, once it has been one of the pioneers on the establishment and dissemination of the concept of New Luxury.

Particularly, the main goal of the current study is to analyse the perception of customers of Osklen about how the luxury brand deals with corporate social responsibility.

After the introduction, the literature review presents foundations on luxury concepts and consumption, as well as an overview about the sustainable luxury consumption issues. The third part of the article is devoted to de description of the methodology and the analysis of the findings. Lastly, in the conclusion, managerial implications, limitations and recommendations for further research are presented.

2 THEORETICAL BACKGROUND

2.1 Luxury consumption

Beckham and Voyer (2014), suggest that consumers use luxury to enhance status and power and that might also result in being more likely to violate social norms related to responsible and sustainable consumption rather than actively engaging with them. Yet, luxury is no longer determined only by it
luxuriousness (or even only the price) of its products (Heine, 2012). Now consumers want to be emotionally touched by their experience’ also aligning sustainable and ethical values and beliefs (Thomas, 2014).

Starting from the principle that products launched within the fashion world are expressions carried with values and beliefs (Valente, 2008), they can communicate their message to consumers at the moment they are shown on the runway, replicated on social media and then displayed on the stores. Luxury brands can influence consumer behaviour through product design and example setting (Bendell and Kleanthous, 2007) and can be considered as one of the greatest responsible for setting the new trends either for goods or for services that will be launch in the market (lloureiro and Bilro, 2016).

With many of the luxury companies operating globally, this sector can play a significant role in the dissemination and awareness of green values. They could contribute towards more responsible supply chains by developing sustainable sourcing policies; by ensuring apparel factories operate under fair working conditions; by investing in the education and development of the communities in which they manufacture their goods; by communicating these mechanisms in a transparent way to consumers; and by partnering with NGOs for long-term change (Hughes, 2001; Yu, 2008; Carrigan, Moraes and McEachern, 2013). Thus, luxury industry may contribute to helpful bringing to life this new definition of what is luxury, where greener values are expressed through social and environmental. Another of the benefits that can be seen in having luxury brands promoting sustainable behaviour is that they have the ability to make sustainable behaviour a mainstream lifestyle choice (Petersen and Muratovki, 2014; Bresciani, Bertoldi, Giachino, and Ferraris, 2015). In sum, all the brands of this industry that want to be successful should bring together aspects of the old and new luxury, enhancing brand heritage, differentiation, creativity, relationship management, as well as all the aspects of Corporate Social Responsibility.

In the fashion industry, value can be conceptualized not only in terms of the positive value generated throughout value chains, but also in terms of the harms that are co-created by stakeholders at different stages of the fashion supply chain (Carrigan, Moraes, and McEachern, 2013) and the same can be applied to the luxury industry. As firms are widely held responsible for the entirety of their supply chain. Indeed, Palazzo (2010) claim the need to examine the consequences of a company’s actions, as the emphasis is no longer just for ‘doing good’ but also of ‘doing no harm’(Carrigan, Moraes, and McEachern, 2013).

2.2 Sustainable luxury consumption

2.2.1 Corporate social responsibility

We are living in the era of ‘eco-consciousness,’ and it is characterized by an increasing number of companies engaged in Corporate Social Responsibility (CSR) (Achabou and Dekhili, 2013). According
to Villagra, Cárdenas and Ruiz San Roman (2016), the term CSR has its origin 60 years ago, and since then it has grown in relevance and served as the focus of numerous studies. Even not existing a consensus on the definition of this term (Achabou and Dekhili, 2013), commonly it is defined as the necessity of reconciling corporate development with ethical, social, and environmental aspects. For the European Commission, Corporate Social Responsibility (CSR) is defined as "A concept whereby companies integrate social and environmental concerns in their business operations and their interaction with their stakeholders on a voluntary basis." In other words, it refers to companies taking responsibility for their impact on society. They believe that CSR is important for sustainability, competitiveness and innovation (European Commission).

According to Villagra et al. (2016), companies that effectively implement CSR do not measure their success based on a purely financial bottom-line; instead, they hold themselves accountable to the triple-bottom-line of finances, social impact, and environmental impacts. Organizations may examine CSR issues from a corporate perspective, but they also need to consider how other stakeholders view those issues (Carrigan et al., 2013) because, according to Loureiro et al. (2012), studies point out that CSR has a positive effect on companies once it maintains or improve both consumer and society’s well-being.

2.2.2 Sustainable luxury

According to Solomon (2015), consumer behaviour can be recognized as an ongoing process, not merely what happens at the moment a consumer hands over money or credit card and in turn receives some goods or services. It means that, as said by Kotler and Keller (2012), cultural, social, personal and psychological factors influence the consumer behaviour. In this case, talking specifically about the consumers of luxury goods, it is possible to say that, according to Strehlau (2008), a product is more than the result of the sum of raw-materials, quality and producing costs once it represents any dissatisfaction: social, emotional or economical. This means that the value of the product is not only related to the monetary price spent on it, but also to the value perceived by the customer (Hasan, 2016).

Regarding the luxury-fashion market, aggregating ‘high-net-worth’ consumers: well-travelled, cosmopolitan individuals who use luxury products as a conspicuous code that signifies wealth and success (Chadha and Husband, 2006). All over the history, in societies have been known for wasting, squandering, spending and consuming more than what is absolutely necessary; by the simple reason that is through the excessive consumerism of the superfluous that not only the individual but also the society feels that do not exist, but they are alive (Baudrillard, 2008). However, now consumers are changing their behaviour and becoming more demanding. The acquisition of these premium products is no longer and social differentiator, seeking for much more at satisfying intimal pleasures, of a personal nature. (Valente, 2008).
Due to this changing in the luxury consumers behaviour, Cervellon (2013) points out that sustainability issues are raising and starting to be perceived as a complementary model to luxury, in particular among the wealthy (Cervello and Shammas, 2013). For consumers, ethical concerns can help to improve opinion and self-perception; they constitute an increasingly decisive factor in the psychological satisfaction afforded by luxury goods (Achabou and Dekhili, 2013; Olorenshaw, 2011). Regarding new markets, as they mature, their more affluent citizens increasingly follow international trends, including awareness and concern over social and environmental issues, and a desire for their purchases to provide meaningful experiences (Bendell and Kleanthous, 2007).

Another relevant aspect to be considered related to new luxury is the quality over exclusivity. According to Albatross Global Solutions and the Numberly’s fourth annual ‘The Journey of a Luxury Consumer’ report, mentioned on Tessera’s article for Marketing Week (2015), 86% of the global luxury consumers are citing quality as the most important attribute for them. In conclusion, luxury consumer goods are now more aware and more demanding regarding products and services purchased by them. The history, tradition, exclusivity and high prices are no longer indicators of luxury. Environmental and social causes are real concerns, and brands have to take into consideration these new aspects to adapt to this new business era. Besides this information, there is a lack of the academic literature, where authors pay little attention to the relevance of adopting responsible practices in the case of luxury goods and do not examine the propensity of consumers to consider recycled materials in luxury purchases (Achabou and Dekhili, 2013).

2.2.3 Communicating sustainability

Kleanthous and Peck (2006), in order to decide what to communicate to consumers, one question is crucial: is your message an accurate reflection of your corporate/brand values and about your products and services? In case of a positive answer, it is considered worthwhile communicating to your consumers about environmental and social aspects of your products, services and performance once the value of the brand is directly related to the banners that they rise. It is not only regarding what they say but also, and foremost, to what they do and how they care about the environment and social well-being (Valente, 2008). Otherwise, the company can be accused of ‘greenwash’ and only damage the brand’s reputation.

Overall, the lack of transparency and disclosure by luxury-fashion businesses makes it difficult for consumers, investors, activists, and policymakers to assess who the ethical and unethical brands really are (Carrigan, Moraes, and McEachern, 2013). Based on that, it is possible to say that marketing and brand communications can make a major contribution to meeting the biggest challenges of our age (Kleanthous and Peck, 2006) and helps on the awareness and transparency demanding by consumers, especially those concerned about sustainability issues.
In sum, luxury brands should care about their communication and marketing once they are strong tools to disseminate their greener values. What must be taken into consideration is the fact that brands tell consumers what to care about all the time, both directly and by implication or demonstration (Bendell and Kleanthous, 2007) and an effective communication help to build the image among their target. The message has to be integrated into the most appropriate channel and if it is the case, even create an own channel for it. In the end, the credibility of luxury products will be linked to the ability of the brand to advance in well-being rather than harm (Carrigan, Moraes and McEachern, 2013).

3 METHODOLOGY

3.1 Procedures for collecting data: qualitative research

In order to achieve the goals of the study, primary and secondary data are collected. The primary data is gathered through an online questionnaire and visiting some shops of the brand. As a complementary research, secondary data are collected from the information provided by the brand and posting online.

In the current study, we conducted 30 in-depth interviews face-to-face with customers of Osklen, lasting between 60 to 120 minutes each. (questionnaire interview script in Appendix A). The saturation had been achieved with this number of interviews. No additional efforts are carried out to continue collecting data because interviewees began to reinforce the previous information without adding any further novel information (Glaser and Strauss, 1967).

Following Zikmund and Babin (2010), this exploratory research started with an open mind without any intention to achieve a particular result. First, the interviewer invites those being interviewed to think about the partner with which his/her firm has a closer, more frequent professional relationship (at least 3 years of relationship). Next, we started to ask to describe the relationship that participants (representing his/her firm) has with the partner with similar position in the other firm.

3.2 Customer sample profile

As the brand has female and male merchandise, men and women took part on the questionnaire, being men 45% of the interviewees and women the others 55%. The age and the occupation are not directly answered but, personally knowing the respondents, the researcher categorized them in some age range – going from 20 years old, up to 55 years old – and all of them are currently active on their field of work. Lastly, all the interviewees belong to a medium-high to high social class (we cross their income with their profession to get their social class).

3.5 Content analysis and data classification

All interviews are audio-recorded, with the permission of the participants. The interview results are analysed using the software ATLAS TI. All this information is subject to a careful content analysis.
process. A detailed analysis of the responses from each interview is carried out, and through a semiotic clustering process (Feldman, 1995).

The process of category creation is based on the Grounded Theory requiring the researcher to actively interpret the raw data and code components that emerge from the interview data as signifiers, parts, properties, or instances of other coded components (Batra et al., 2012). Each researcher individually used the same methodological to coding and subsequently the results are compared to avoid bias. The discrepancies found are discussed and agreed upon (Olesen, Droes, Hatton, Chico, and Schatzman, 2002). No significant differences are found between participants with regards to gender, or types of organization (supplier or distributor).

4 RESULTS

4.1 Overview Osklen brand

The history of the brand Osklen starts before the idea of building a fashion brand. Back in 1986, Oskar Metsavaht – founder and creative director of Osklen - worked as a physician and due to his knowledge of biophysics and ergonomic, he is invited to be part of an expedition to Mount Aconcagua, in the Andes. One of his functions is to search for clothes that would keep them warm and prepared for the adversities they would face during the trip. However, at that time, Oskar did not find the most suitable clothes and equipment, deciding then to develop the fabric to make the clothes designed by him.

According to Metsavaht, the brand works under five main pillars: universal aesthetical language, the originality, the meaning, the intrinsic quality and the sustainability. For their Mission, they aim to enchant the customers with their products, services and attendance, do not forgetting their social-environmental commitment. Their Vision is determined through their style, creativity and authenticity - a global brand, original from Rio de Janeiro. For last, their Values are based on the creativity, balance, sophistication, detachment, technical quality, contemporaneity and sustainability (Boechat, 2016).

The concept of ‘New Luxury’ consists of deeper and greener values and is fully embodied in the sourcing, manufacture, marketing and distribution of products and services (Bendell and Kleanthous, 2007). Oskar Metsavaht claim that New Luxury is based on one simples equation: ETHICS + AESTHETICS = NEW LUXURY.: ”the representation of a lifestyle compatible with the sustainable values. It is a way of being and dress that opposes to the exhibitionism. It is a combination of simplicity and elegance, despoliation and sophistication” (Osklen, 2015). Specifically, inside the fashion world, New Luxury consists in developing refined design to sustainable materials. In other words, it is the combination of the two factors already mentioned: Aesthetics and Ethics.
The communication of a brand evolves several aspects. Official Website; Social Medias; Advertisement in magazines (especially in fashion magazines like Vogue and Elle Brazil); Personal Selling; Physical Store; Products; Symbols; the perfume ‘Vento’; Lectures given around the world by Oskar Metsavaht; among others.

Brands are now creating online platforms and social networks pages devoted “to the conception of new offers and ideas and are open to feedbacks” (Benmiled-Cherif, Kaufmann and Manarioti, 2016, p.3). The Osklen’s website is an important communication and promotion vehicle for the brand. It contains information about the history of the brand as well as its founder and creative director, Oskar Metsavaht; all the collections already presented and the one being sold at that season. They are present on Facebook, Instagram and Twitter and have separate accounts for some of their lines of products. Like the website, their Social Media can be found in different languages.

4.2 Osklen social-environmental responsibility partnerships

The social-environmental movement of Osklen regards the partnership with Instituto- E (a non-profit organization run in Brazil that believes that the sharing of information is the first step towards the promotion of a sustainable human development), E-fabrics (a permanent project that works on the identification of sustainable raw materials, aiming the textile production and the fashion market), E-brigade (the movement Save your Lifestyle. Act Now.”), E-Ayiti (a project started from Haiti) and Ashaninka (an indigenous tribe settled in Amazon).

Osklen works directly with the Instituto- E as the main partner in the fashion industry and as an experiential laboratory’ for them. By producing clothing and accessories using sustainable materials developed and recognized by the institute’s tag ‘e-fabrics,’ Osklen’s products introduce innovation on the fashion market.

The goal of the E-fabrics project is to promote studies about the environmental impacts on the productive process, the preservation of the biodiversity and also the social relationship with the producing communities. Osklen worked as the incubator for this project, beginning to use the sustainable materials in 2001. Among the materials employed by the brand, stands out the Pirarucu and salmon leather; the recycled pet fabric composed of cotton and polyester fibres, result of the recycling of Pet packaging; the organic cotton, cultivated without using any harmful substances to the environment; the recycled tricot, made of defibrillated cotton yarn prevenient of the leftovers of textile industry; and the organic silk, produced with cocoons discarded by the traditional silk makers for being out of standards.

The E-brigade is a movement started at the end of the 90’s, by the hands of Oskar Metsavaht, under the slogan “Save your Lifestyle. Act Now.” The main goal is to reunite ecologists, sports people, journalists, professors, environmental preservation organizations, community action organizations,
companies and research and teaching institutions to fight against the environmental misinformation. This project is the seed to the foundation of Instituto-E, and the movement still keeps on going.

The E-Ayiti project started in Haiti, back in 2012, where Osklen developed an accessories collection handcrafted by local artisans and supervised by designers of the brand. E-Ayiti is a project that still going on and based on a partnership between Instituto-E, Osklen and Ethical Fashion Initiative (EFI) – this last one being a project related to United Nations and has as its slogan “Not Charity, Just Work.” The goal of EFI is to connect designers from the entire world to artisans from economically vulnerable countries and make sure that artisans receive a fair payment for their work.

Ashaninka is the name of an indigenous tribe settled in Amazon, on the borderline between Brazil and Peru. The choice of this tribe to be the inspiration theme of the summer collection 2016 came naturally, once Oskar Metsavaht and Nina Braga - director of Instituto-E – already knew them and considered them different from other tribes. This distinction comes from not only the long vestments they use but also because of the aesthetical quality that it evokes, leading to a vast and rich symbolic repertory. This tribe is a direct descendant of the Inca civilization and bring with them the wisdom and nobility of their ancestors, both themes that inspire Metsavaht to explore even more their universe.

The partnership between Osklen, Instituto-E and the tribe of Ashaninka establish that the tribe would receive royalties on the sales of the summer collection 2016 to finance the improvement of the tribe’s school and to buy a land in Acre and to build the base for their association.

4.3 Consumers perspective

4.3.1 First contact with Osklen

The first question (How was your first contact with Osklen?) is placed to understand how the consumers had the first contact with the brand. The answers varied between a few statements, but two ends up being more relevant since they appear more often. The first one was similar to “I received a gift from friends/ family and liked the brand” and represents 43.3% of the total answer. This means that the participants followed someone's recommendation and from that point on affirmed that they liked the product and became Osklen’s customers. The second one could be summarized as “I was walking in a shopping mall/ street, I saw the store and end up buying some products.” This statement corresponds to 53.3% of the answers and, in other words, it could be said that these customers discovered the brand on their own and some features of the brand caught their attention to the point that they became regular customers.

4.3.2 Information about Osklen

The second question (Tell me how much you know about Osklen) aimed to know knowledge of the participants about Osklen. Through the use of the software ATLAS T.I., it is possible to get two analysis results: a table of the most used words and, after coding the most relevant information. Regarding the
words, those which appeared more frequently are: Brand (25 times), Brazilian (16), Oskar Metsavaht (12), Clothing (12), Physician (8), Búzios (8), Rio de Janeiro (7), Fashion (6), Surfing (5), Sustainability (4), Sports (4), Coats (4), Style (4), Aconcagua (3), Cold (3) and Snow (3). Looking at this list, it is possible to verify that the number of times the majority of word appeared is very small. This fact leads us claim that only a few customers have known about the brand, its origin, its founder, its concepts, and values. In what concerns to sustainability and style -which is part of the New Luxury’s formula - Ethics + Aesthetics = New Luxury -it is possible to state that only 13.3% of consumers are aware of factors that are part of the pillars in each the brand stands.

When looking at the appendix 2, it is possible to see twelve codes. These are established according to the topics addressed by the interviewees and are counted to see how often they appeared. The codes are: Sustainability; Luxury; Fashion Brand; Brazilian Brand; Brazilian Soul; Sports, Nature and Adventure; Designer, Physician and Art Director; Alpargatas group; Arts; Technology; Support of Social-Environmental Causes and Oskar’s Trips. All these words are clearly related to Osklen, and between them, they also demonstrate some relationship (seen in appendix 2). Although the interviewees gave some interested and truthful statements about the brand, once more, the question is the how often the codes appear on the customer’s answers.

As a result of this analysis, it is possible to claim that (i) customers tend to have certain knowledge about the origin of the brand, as well as its founder and designer, (ii) the majority of customers make a direct relation to the brand with sports, nature, and adventure and that Brazil is one of the greatest sources of inspiration for the development of collections. However, the issue of being a luxury brand and the subject of sustainability is rarely mentioned, which shows the lack of knowledge of customers regarding the brand’s positioning, as well as one of its main values.

4.3.3 Decisive factors of purchase

The third question (What are the factors that drive you to buy products from Osklen?) is formulated thinking about the factors drive customers to purchase products of Osklen. As in the previous question, a table with the most used words is elaborated, as well as the codification of the answers to facilitate and better understand the determining factors of purchase. The words that appeared the most, in descending order were: Quality (17 times); Style (7); Design (6); Material (5); Different (4); Beauty (3); Exclusivity (2) and Status (2).

Taking into account all the highlighted words, all of them live up to the brand and the characteristics of its products - except for Status and Exclusivity that is not one of the brand’s mottos; despite indirectly enweaving this sensation in some of the consumers. Quality is revealed to be the most important decisive factor of purchase by 56.6% of the participants, followed by Style and Design. These two last words are crucial for fashion brands, especially for Osklen, once Oskar Metsavaht constantly
assures that produce sustainably does not mean compromising the style and the design of the product because, after all, this is a major factor for both the brand itself and the final consumer.

Contrary to what is expected, Sustainability is considered an important factor only by one of the customers. This fact demonstrates again that the "green side" of the brand is not taking into consideration - either by the lack of knowledge that the brand is working with this aspect or by the lack of interest of consumers in procuring products that do not harm the environment.

4.3.4 Brand social responsibility

The purpose of this question (How socially responsible do you think Osklen is? Sustainability, environmental concern, recycling, help local communities and care about the employees seem to be an important issue for them?) is to understand if the participants knew that the brand incorporates in its identity some elements related to CSR, such as sustainability, recycling, concern for the environment, help communities with which they work and ethics at work.

Surprisingly, more in a negative way, more than half of participants are unaware of this fact. Out of the 30 responses, 16 of them - or 53.3% - claim they do not know or even heard about the actions promoted by the brand. Three other participants mention that they believe that there is some concern about the environment, but they would not exactly know what the brand’s actions concerning CSR. Moreover, one of the respondents believes that it is nothing more than a marketing strategy because he has never seen or heard of the good practices of Osklen (see appendix 4).

Ten of the 30 interviewees have some knowledge about the partnerships of Osklen. The Instituto-E is mentioned, as well as the theme of sustainability and sustainable materials used by the brand; the attempt to reduce carbon footprints and social and environmental concerns.

4.3.5 Materials and production processes

The fifth question (How much do you know about processes and material that Osklen uses on their production?) sought to understand how much the customers know about the materials used by the brand - particularly about the sustainable materials that the brand developed - and how the Osklen’s product manufacturing process works.

Using the word count table elaborated with the help of software ATLAS T.I., the ones that repeated the most and are more relevant for analyzing are ‘No’ (or the expression, “I do not know”) that appear 11 times and ‘Nothing’ appearing nine times. Summing these two words (that corresponds to the final answer of some of the interviewed people) we counted 20 negative answers to the question about knowledge of the materials and methods of manufacturing the products. Besides that, one participant mention that “…knew about the quality of the materials but did not know anything about the manufacturing process” not even mentioning the sustainability attached to most of the fabrics and materials used by Osklen. Therefore, the total of 21 negative answers - or 70% - demonstrates a possible
flaw in the brand’s communication regarding this topic. Concerning the other nine answers, all make some reference to sustainability, recycling and cultivation of the raw material, fabrication process and the disposal of the same (see appendix 5).

4.3.6 Store atmosphere at the moment of purchase

According to the table elaborated with the words that most repeated in all the answers of the six question (Can you describe how the staff of Osklen create the atmosphere at the moment of purchase?) and that was relevant to be analysed are: Pleasant, Relaxed, Customer, Differentiated, Staff, Young, Attendance, and Atmosphere. Adding to that, there are the codes established and linked through the framework of appendix 6, which demonstrates how consumers perceive the environment of store at the moment of purchase.

Overall, it is possible to claim that participants report a positive experience, praising the way the staff attended them, being these communicative and friendly. On top of that, the own environment of the store that brings among many things the ambient music, the aroma of the ‘Vento’ perfume - the feeling of being on the beach - demonstrates that what the brand founder idealized for the stores has been perceived by customers and has effectively contributed to communication with them.

Aspects regarding the service provided and the general appearance of the store (decoration, music, aroma, etc.) are perceived positively by participants. The only negative aspect would be, once again, the amount of information transmitted by the staff, especially when they are asked about the sustainability issue and no further answer is obtained on the subject.

4.3.7 Fair prices

If the customer perceives the quality of the product being offered to him/her, consequently the price paid will be understood as fair, and the customer tend to become satisfied. This is the point to be analysed with this question (What do you think about the prices practiced by Osklen? Are they fair taking into consideration what they offer to their clients?). More than half of the participants tend to agree with the prices charged by Osklen. The justification they give for this is that the products have quality, sells design, sustainability and the Brazilian Soul. The positioning the brand established on the market - Brazilian luxury brand - being one more reason that justifies the high prices Osklen practices. Among those who agreed, 18 participants still consider it expensive.

On the other hand, 40% of the participants do not consider the prices fair. Among the reasons mentioned, the quality appeared again - but negatively; and neither of them recognizes design, sustainability or any other differentiator aspect of the brand (see appendix 7).
4.3.8 Causes supported by Osklen

The eighth question (Do you know about the causes/projects that the brand supports?), the majority of the answers are negative with 80% of the participants saying that they have no knowledge about the topic (see appendix 8). This fact demonstrates that only six customers have some information on the subject and yet, one of them state that “acknowledges the existence of these partnerships but do not know any concrete example.”

4.3.9 Osklen is a sustainable brand, isn’t it?

The ninth question (How do you feel about Osklen claiming to be a sustainable brand? Do you agree or do you believe that is only used as a marketing strategy?) aims to analyse the sustainability side of Osklen. As the own brand claims as sustainable, the goal here is to discover if the customers knew about it and if they agreed with this statement. Of the 30, we have 18 individuals who say that the brand works sustainability. Another customer says that he believes that the brand only works with recycling and not sustainability.

On the other hand, four participants claim that the theme is only used by the brand as a marketing strategy - which leads one to believe that knowledge of what they buy is minimal - and seven others said they did not have knowledge about this subject regarding brand (see appendix 9).

4.3.10 New luxury: what is it?

The last question (Have you ever heard about the concept of ‘New Luxury’? What do you think it is?) is about the concept of New Luxury. Only 9 out of 30 participants mention that they know what it means. Of this total, only three could describe exactly the concept of the New Luxury, and the others gave a similar description of what this concept would be.

The other 21 - or 70% - participants say that they do not know what it means, and only a few of them could give some explanation that is close to the real concept of New Luxury. Some others do not even try to guess or answer something completely wrong (see in appendix 10).

5 CONCLUSION AND MANAGERIAL IMPLICATIONS

The main goal of the current study is to analyse the perception of customers of Osklen about how the luxury brand deals with corporate social responsibility. With this aspect in mind, we intend to provide and better explanation of the proposed subject: “The New Luxury is not Gold, it is Green: Communicating Sustainability within the Luxury Market - the case of the Brazilian Luxury Fashion Brand Osklen” and promote a better understanding of a topic still recent in the luxury market. A qualitative study is conducted and the data analysed.

From the Osklen process of research and development - part about sustainable and technological fabrics; partnerships - most known is the one with Instituto-E, which promotes the
sustainable development; and Lectures given by Oskar Metsavaht worldwide are concrete examples of what the brand has been doing.

According to Bendell and Kleanthous (2007) consumers are slowly shifting their mindset and demanding companies to make use of good practices. In some countries this might be a reality, however in Brazil - by seeing the results of the research - it is possible to claim that consumers are still attached to the values of the old luxury. Sustainability, transparency and fair trade are not relevant factors when deciding to buy Osklen’s merchandise or any other luxury product.

As the brand is one of the few, not to mention the only brand of reputation in Brazil that works sustainability has a responsibility to disseminate these green values and help create awareness about this subject on the consumer’s mind. Moreover, the fact that the brand is framed within the luxury sector makes its message even more relevant and influential in the mind of the consumer, once luxury brands exert strong influence on consumers’ aspiration and behaviour, influencing how, when and for how long consumers use their products (Bendell and Kleanthous, 2007). This fact influences not only consumers but also other brands. Moreover, this could be the beginning of the snowball, or as the author prefers to call "the green wave," that raises awareness to the subject and make brands shift their practices or even make new brands start in the business already taking into consideration CSR practices.

However, the main question for this research is related to the process of communication of these values by the brand. The communication can be done in different ways and, when integrated, they can be more powerful and efficient because they transmit a cohesive message and hit the target in a variety of ways. Yet, when analysing the results, only a very few participants are aware of the good practices and the pillars in which the brand lays. Unfortunately, the scenario is more negative than positive, and these results are possibly a reflex of how they have been communicating with their customers. Moreover, the stores atmosphere is an important means of spreading the brand’s message. The design, visual merchandising, decoration, illumination, every aspect is helpful when talking about communication. In addition, direct communication between salespeople/staff and customers is very effective when well executed and collaborates to create a favourable environment at the time of purchase. This last factor mentioned, relationship selling, is highlighted by Loureiro et al. (2012), as one of the points to be analysed regarding good practices of CSR and this is the purpose of this question.

Most of the participants demonstrate having some information regarding the origin of the brand. They also recognize the brand by its quality of merchandising and the unique design, but not regarding the social-environmental causes they support or the sustainable fabrics they use, for instance. Apparently, only people related or with a keen interest in fashion, or those that for some reason studied about the brand – for academic purposes, for example- have the knowledge about the sustainable practice of the brand.
The lack of knowledge on the part of the consumers is not a specific object of this study. However, it may be associated with some causes. One of the possibilities would be the lack of cultural and visual education in Brazil. So, by cultural education, the professor Barend van Heusden says that is the capacity of reflecting about their own culture (Education Talks, 2016) and analyse and interpret images.

Therefore, as Oskar express in the interview granted to Robic (2011), Osklen’s communication lays on the image. The prints, the pictures, videos, Instagram, the decoration of the stores, all elements combined create the message that the brand wants to transmit. Not to mention the items that are part of the sensory marketing - in this case, the smell and the hearing - that also help to compose the message of the brand for its consumers. Nonetheless, this process could be enhanced by a more verbal and written communication once not all the consumers have the image tic perception or the ability to interpret the message when showed it in this way.

Concluding, the brand has a message and values that could be spread to a greater number of people and, perhaps, influence them and other brands for social-environmental sustainability issues. For that, we recommend that Osklen rethink some points of their communication strategy to include more ways to reach your customers. Improvements in point-of-sale communication and a greater focus on Social Media – as Social Media can attract a large number of people - could be options to be taken into consideration to create more knowledge about some of the worldwide pioneers in the Sustainable Luxury.

Kleanthous and Peck (2006) states that brand should only communicate their sustainable values if they actually practice it. Otherwise, it can be seen by the consumer as a ‘greenwash,’ and this might descry the brand’s image and reputation. Then, in the case of Osklen, the communication of their values should be made since they are reflected both in their merchandise and in the causes in which they help. In order to make it happen, the brand could enhance their communication beyond the images and invest more on verbal and written one, aiming to create more awareness among all the consumers – not only those who already have great interesting in fashion, particularly in Osklen, or those who used the brand as a subject of their studies.

Concerning the verbal communication, customers tend to learn better when they hear something rather than just seeing it because the last one demands more cognitive interpretation than what is explicitly spoken (Solomon, 2015). Regarding the written communication through the publications on Social Media sent to customers, the use of hashtags (#) in Social Media is already a common practice for the brand - #brigade, #fabrics; #amazonguardians and should keep the practice. Indeed, Social Media is a useful and easier way for people to research and find more information. But
brand managers could select a few of them to use more frequently because the more it is repeated, the more people retain the information.

In the future, getting insights and opinion from employees within the company can add value to the study. Second, as the brand is Brazilian and most known is this country, the study focused on people that live in Brazil and who belongs to a medium-high social class (due to the high price of the products, the brand is not affordable for everyone). Hereafter, we recommend extend this study to other countries and markets where the brand operates because it could be a way of comparing how the brand is viewed inside and outside its country of origin and whether or not the communication is effective.

Third, a deeper study in the Osklen’s Social Media - Facebook, Instagram and Twitter - could add some valuable information to the study. Take into consideration likes, shares and comments may demonstrate the engagement of consumers with the brand and could be a good way of understanding what people say and think about them, focusing in analysing if the good practices of Osklen are mentioned by its consumers.

Lastly, analyse the information on the brands' newsletter. Once the brand gives the opportunity in their website for consumer to enrol and receive their newsletter, analyse the content (if it is or not related to their CSR practices or only about the collection itself) and the frequency to send to customers, it is a good approach to get more information about their communication.

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APPENDIX

Appendix 1- Questionnaire

<table>
<thead>
<tr>
<th>#</th>
<th>QUESTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>How was your first contact with Osklen?</td>
</tr>
<tr>
<td>2</td>
<td>Tell me how much you know about Osklen.</td>
</tr>
<tr>
<td>3</td>
<td>What are the factors that drive you to buy products from Osklen?</td>
</tr>
<tr>
<td>4</td>
<td>How socially responsible do you think Osklen is? Sustainability, environmental concern, recycling, help local communities and care about the employees seem to be an important issue for them?</td>
</tr>
<tr>
<td>5</td>
<td>How much do you know about processes and material that Osklen uses on their production?</td>
</tr>
<tr>
<td>6</td>
<td>Can you describe how the staff of Osklen create the atmosphere at the moment of purchase?</td>
</tr>
<tr>
<td>7</td>
<td>What do you think about the prices practiced by Osklen? Are they fair taking into consideration what they offer to their clients?</td>
</tr>
<tr>
<td>8</td>
<td>Do you know about the causes/projects that the brand supports? Name at least one of them and give a brief explanation about what they do.</td>
</tr>
<tr>
<td>9</td>
<td>How do you feel about Osklen claiming to be a sustainable brand? Do you agree or do you believe that is only used as a marketing strategy?</td>
</tr>
<tr>
<td>10</td>
<td>Have you ever heard about the concept of ‘New Luxury’? What do you think it is?</td>
</tr>
</tbody>
</table>

Appendix 2- What do you know About Osklen?

Appendix 3 - Decisive purchase factors.
Appendix 4 - How much do you know about CSR practiced by Osklen?

Appendix 5 - What do you know about the material and production process of Osklen?

Appendix 6 - Store's Atmosphere at the moment of Purchase.
Appendix 7 - Do you think the prices practiced by Osklen are fair taking into consideration what they offered to their clients?

Appendix 8 - What do you know about the material and production process of Osklen?
Appendix 9 - What do you think about Osklen claim itself as sustainable?

Appendix 10 - New Luxury: do you know what it is?
INTERNET AND EXPORT PERFORMANCE: EVIDENCE FROM PORTUGUESE INTERNATIONAL NEW VENTURES

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ABSTRACT
The facilitating effect of the Internet and complementary information and communication technologies on small- and medium-sized enterprises (SMEs) internationalization is now widely accepted. The literature suggests that the Internet positively influences firms’ export activities because it provides them with new ways to communicate, to acquire knowledge, to develop their international business network and to improve the efficiency of international transactions and operations. Moreover, emerging Web 2.0 technologies are leading to even more complex international operations. The so-called e-business represents both challenges and opportunities for exporting firms. Given the lack of empirical research into this new paradigm, this research studies professional and business usage patterns of Internet and Web 2.0 technologies and their roles in the pursuit of export market opportunities for Portuguese small- and medium-sized exporters with less than six years of age. Using an online questionnaire, this study is able to identify three ways in which exporting firms use the Internet: as a business tool, as a business enhancer or as a business driver. The empirical results suggest that Portuguese SMEs use the Internet mainly as a business tool, which is essential in the development of export opportunities. Still, using the Internet as a business enhancer and a business driver has a greater impact on firms’ export performance. Regarding Web 2.0 technologies, social media has been embraced as a catalyst for export market opportunities development.

Keywords: Internet; Web 2.0; internationalization; exports; SMEs

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INTRODUCTION
It is a fact that in recent years important changes in the international business field have been occurring because of the impact of the rapid evolution of information and communication technologies (ICT). In particular, the facilitating effect of the Internet on firm internationalization is now well accepted (e.g. Bell and Loane 2010; Glavas and Mathews 2014; Hamill 1997; Lituchy and Rail 2000; Mathews and Healy 2008).

The Internet’s emergence and development provided firms with new ways to establish a global presence, conduct international business, access information, implement marketing and communication strategies, improve the efficiency of international transactions and operations, as well as develop and sustain relationships with clients and partners (Bell and Loane 2010; Fletcher et al. 2004; Glavas and Mathews 2014; Loane 2006; OECD 2001).

The benefits of using the Internet are accessible to firms of all sizes. In fact, the Internet holds particular appeal for small- and medium-sized enterprises (SMEs) (Glavas and Mathews 2014; Hamill et al. 2010) as it diminishes the advantages large multinational enterprises have over small businesses (Lituchy and Rail 2000) and it provides a mean to decrease liability of foreignness and resource scarcity, enabling entrepreneurs to exploit speedily new international opportunities (Arenius et al. 2005). Previous studies indicate that the Internet supports the international expansion and growth of exporters (Bianchi and Mathews 2015; Loane 2006; Lu and Julian 2007; Sinkovics et al. 2013). In view of this, “internetization” emerged as a new concept to refer to the post-Internet internationalization (Etemad et al. 2010).

The impact of the Internet on the international expansion of SMEs has been receiving increasing attention in the literature (Loane et al. 2007). However, most research is largely exploratory and investigates the link between Internet adoption and internationalization from a conceptual view point, so there is a lack of empirical research into the effect of the Internet and the Web 2.0 on firms’ internationalization processes and export performance (Bianchi and Mathews 2015; Etemad et al. 2010; Hamill et al. 2010; Reuber and Fischer 2011; Sinkovics et al. 2013).

This research focuses on Portuguese short and medium sized international new ventures (INVs), defined as firms with less than six years from establishment which are already internationalized. The entrepreneurial development in Portugal faces important structural challenges such as discouraging cultural and social norms and the lack of supportive governmental policies. However, advanced physical infrastructure and competent professional infrastructure, as well as the existence of numerous programs and initiatives to support business creation are seen as effective entrepreneurship facilitating factors. According to the Global Entrepreneurship Monitor (2013), the Portuguese entrepreneurial environment has been developing consistently in the past few years. Therefore, we find it interesting to focus on this small, open economy with the infrastructure to support Internet-enabled businesses. This
research aims to provide a better understanding of the way Portuguese SMEs in early stages of internationalization pursue export opportunities using Internet and Web 2.0 tools.

THEORETICAL BACKGROUND

The Uppsala Model is one of the mainstream theories of internationalization and for years has been the dominant approach to describe firms’ internationalization process. This model views internationalization as a learning process in which the firm increases its international presence in a stepwise manner (Johanson and Vahlne 1990). The stages model emphasizes the role of knowledge, focuses on firm behavior and assumes psychic distance as a dominant concept, which is defined as “factors preventing or disturbing the flow of information between firm and market” (Johanson and Wiedersheim-paul 1975). Foreign market knowledge and incremental international commitment are assumed to reduce the liability of foreignness and to influence decisions regarding firm international trajectory (Johanson and Vahlne 1990).

Internet surpasses some fundamental tenets from the stages model such as the need for physical presence, the psychic distance perception of internationalizing firms (Yamin and Sinkovics 2006) and the role of experiential knowledge (Petersen et al. 2002). Empirical research indicate that the internationalization path of Internet-related firms is not consistent with the Uppsala Model predictions (Bennett 1997; Crick and Spence 2005; Yamin and Sinkovics 2006).

In light of this criticism, Johanson and Vahlne (2009) updated the original model and extended it to incorporate a strong entrepreneurial view of internationalization and to consider the role of networks of relationships and opportunity development. Network relationships are key internationalization facilitators, especially for SMEs with limited resources (Mort and Weer!ardena 2006) and they help to reduce the risks of early internationalization (Knight and Liesch 2015). The fact that these business relationships provide firms with knowledge about markets, clients, competition, financing and distribution channels helps internationalizing SMEs to accelerate the learning process (Eriksson et al. 1997; Knight and Liesch 2015) and it influences timing, mode of entry and choice of international markets (Arenius 2005; Johanson and Mattsson 1988). Social and business networks provide entrepreneurs and firms with access to new information, knowledge and ideas which they would otherwise not be able to.

Firms first started to use the Internet for presenting their corporate image using simple and static websites. However, they quickly began to explore the potential of online environment and used it for business and commerce (Berthon et al. 2012). Previous researches find various factors affecting Internet
 adoption and e-business development by firms: perceived benefits, external pressure, organizational readiness (Mehrtens et al. 2001; Poon and Swatman 1999), clients’ influences and the managers’ entrepreneurial orientation (Fillis and Wagner 2005).

Nowadays, it is acknowledged that the emergence of the Internet provides firms with new ways to generate new businesses, communicate, develop business networks, exchange information, manage teams and develop marketing strategies with lower costs (Bell and Loane 2010; OECD 2001; Weill and Vitale 2001). Therefore, the use of the Internet facilitates business internationalization (Etemad et al. 2010; Fletcher et al. 2004; Glavas and Mathews 2014; Loane et al. 2004; Petersen et al. 2002).

The Internet is accessible to firms of all sizes and it is particularly appealing for SMEs that usually face limitations in terms of human and financial resources, as it offers the potential to decrease liability of foreignness, newness and smallness, the advantages of multinational enterprises (Lituchy and Rail 2000) and to reduce barriers associated to international business (Arenius et al. 2005). Thanks to the Internet, firms can take advantage of global web presence and direct and instantaneous foreign-market entry to exploit new international opportunities in a speedy manner (Hamill et al. 2010; Hamill 1997; Loane 2006; Mathews and Healy 2008).

According to Mathews and Healy (2008), “the Internet has diluted the once asymmetry of information traditionally experienced by SMEs in the internationalization process”. In this respect, it minimizes the need for learning-by-doing, reducing search and learning costs and the uncertainty associated with international business (Petersen et al. 2002). Furthermore, some researches suggest that internationalizing firms should promote Internet-based knowledge internalization as a means to reduce their lack of international experience and international market knowledge (Arenius et al. 2005; Nguyen and Barrett 2006). Therefore, Internet usage increases SMEs ability to respond flexibly and speedily to new international opportunities (Glavas and Mathews 2014; Petersen et al. 2002).

The development of sales via the Internet has led to the virtualization of supply chains (Ho et al. 2003) and, along with the emergence of global supply chains, is transforming the distribution of goods and services, firms’ work practices, supply chain relationships and, ultimately, international supply chain management (Ho et al. 2003; Overby and Min 2001).

According to Bianchi and Mathews (2015), the fact that the Internet can be used as a knowledge and resources acquisition tool provides firms with access to export information, which impacts the development of business networks and, ultimately, export market growth. Studies suggest that the Internet is mainly used for communication and marketing purposes, market information collection, post sales service and support activities and not so much for transactional purposes and supply chain management (Loane et al. 2007; Moen et al. 2003). Internet may play a complementary, supportive role in firms’ export activity (Sinkovics et al. 2013).
Thanks to its communicational and transactional capabilities, the Internet can be used as a medium for capturing and developing new international opportunities (Mathews and Healy 2008). This fact leads to the emergence of a new concept: “internetization”, which refers to the “process of increasing adoption, diffusion, and deployment of Internet-based technologies and processes that increasingly serve as the back bone of internationalization, especially in the innovative entrepreneurial firms” (Etemad et al. 2010).

The literature suggests that, whether used as a supportive tool or as a core capability, the Internet provides SMEs with the chance to improve their international activities and explore international opportunities from inception (Loane et al. 2004), enhancing their export market growth and international expansion (Bianchi and Mathews 2015; Lu and Julian 2007; Petersen et al. 2002; Quelch and Klein 1996). Still, Lal (2004) state that using more advanced e-business tools is associated to a better international performance. So, further investigation and empirical validation is needed. Moreover, studies on the impact of Web 2.0 technologies usage on SMEs internationalization are still lacking (Bell and Loane 2010).

**METHODOLOGY**

Raymond et al. (2005) conceptualize e-business assimilation (EBA) as “the variety of business functions or activities that are supported by the organization’s use of the Internet and the Web”. So, EBA is operationalized in a number of business activities for which the Internet and the Web can be used. These business functions are grouped into three levels of business adoption: (1) e-communication, (2) e-business intelligence and (3) e-commerce and e-collaboration. EBA is more extensive when the firm uses the Internet for more functions. Moreover, using Internet for internal communication via e-mail is much different from, for instance, using Internet for co-creation activities.

The first level of business functions that can be supported by the use of the Internet encompasses communicational and informational functions (Raymond and Bergeron 2008; Raymond et al. 2005). Based on the literature and on Raymond et al. (2005) original model, e-communication is measured by using four Internet uses: marketing and promotion; communicate; online customer service; develop business network. The second group refers to business intelligence functions, i.e. Internet use for competitive intelligence development (Raymond and Bergeron 2008; Raymond et al. 2005). Based on the literature review and the original model, e-business intelligence is measured by using two possible Internet uses: collect international business information and international competition analysis. The last level of business activities for which the Internet can be used refers to transactional and collaborative functions. Based on the literature review and the original model, two Internet uses are considered to measure this variable: buy foreign products/services; sell products/services internationally.
Internationalization is a broad and all-encompassing concept that integrates various foreign market entry modes such as exporting, international collaboration and foreign direct investment (FDI). In this study, authors have decided to focus on exports for several reasons. Target population is SMEs in early stages of internationalization, which theoretically face both resource constraints and external barriers and so tend to rely more often on forms of internationalization that require less commitment, such as exporting activities (Johanson and Vahlne 1977). Second, previous related studies (see Bennett 1997; Bianchi and Mathews 2015; Lu and Julian 2007; Morgan-Thomas and Bridgewater 2004; Petersen et al. 2002) also focus on exporting firms. As such, we focus on exporting firms, by studying their export performance.

Authors have decided to use subjective and generic measures of export performance to encourage managers to respond as there is no need to provide objective financial data that they might not be able or willing to share (Sousa, 2004).

Noneconomic measures (Katsikeas et al., 2000), also called subjective measures (Sousa, 2004), include market diversification, export market expansion and new products exported. According to Katsikeas et al. (2000), the number of export markets is the most widely used noneconomic measure. Generic measures (Katsikeas et al., 2000), also called general measures (Sousa, 2004) and non-financial measures (Zou and Stan, 1998) considers the perceptual performance. It encompasses measures such as the managers’ perceived success, their satisfaction with the firm’s export performance, meeting expectations, and strategic export performance. Cavusgil and Zou (1994) emphasize the importance of using perceptual measures of export success in order to consider not only firm’s economic but also strategic objectives, which according to their definition are equally important.

We use two measures of export performance: export intensity and export diversity. Export intensity (export-to-total sales ratio), the most used export performance proxy, is considered in this study not as an objective but as a subjective measure. Since the number of export countries is the noneconomic measure most often used, we also use export diversity as a measure.

Therefore, we propose that the extent that e-business is assimilated by the SME can significantly affect the firm’s export performance. This evidence allows us to understand which Internet business functions are connected to greater export ratio and diversity.

So, authors formulate a research hypothesis for each Internet business function impact on firms’ export performance. These are subdivided into hypothesis (table 1) regarding the two export performance indicators: export ratio and diversity.

Table 1 – Hypotheses
In this study, a cross-sectional questionnaire was administered online to a representative sample of Portuguese small- and medium-sized exporters with less than six years of age. According to data collected from SABI database on March 7th, 2016, there were a total of 6,488 Portuguese SMEs exporters with less than six years. We were able to collect 204 valid answers from this universe. Key respondents were firms’ entrepreneurs. This questionnaire has 21 questions divided into four modules: (1) firm’s profile, (2) export activities, (3) e-business and (4) respondent’s characteristics.

RESULTS

Business use of the Internet

Participants use Internet tools more frequently to communicate, to gather international business information and to manage firm’s activities. On the other hand, Internet technologies are used less frequently to buy foreign products or services and to analyze international competition.

Half of respondents (50.5%) say they use Internet tools daily or more often to communicate, for instance, with employees, suppliers, distributors, etc., and 29.4% do it a few times a week. A great part of the respondents say they use the Internet as a source of international business related information daily or more often (27.9%) or a few times a week (32.8%). Internet technologies are also frequently used to manage team and to coordinate company international activities (57.1% say they do it a few times a week or more often), as well as to provide online customer service (54.7% do it a few times a week or more often). Regarding advertising, marketing and communication activities, while 51.2% of respondents use digital tools a few times a week or more often for that purpose, 48.8% do it a few times a week or less often.

In relation to the business activities for which Internet tools are used less frequently, data shows that only 15.8% of respondents use the Internet every day for selling products or services internationally, while the majority (33.7%) rarely or never use e-commerce for international sales. More than two-thirds of respondents say they use the Internet a few times a week or less often for international competition analysis or for buying foreign products or services.
Table 2: Kruskal–Wallis and Jonckheere-Terpstra tests statistics

<table>
<thead>
<tr>
<th>Ind. Variable</th>
<th>Dep. Variable: Frequency of Internet use for...</th>
<th>Hypothesis</th>
<th>Test statistics – Kruskal-Wallis</th>
<th>Test statistics – Jonckheere-Terpstra</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Chi-square (χ²)</td>
<td>Asymp. Sig.</td>
</tr>
<tr>
<td>Marketing and promotion</td>
<td>H1a</td>
<td></td>
<td>5,292</td>
<td>0,152</td>
</tr>
<tr>
<td>Communicate</td>
<td>H2a</td>
<td></td>
<td>11,826</td>
<td>0,008</td>
</tr>
<tr>
<td>Online customer service</td>
<td>H3a</td>
<td></td>
<td>6,700</td>
<td>0,082</td>
</tr>
<tr>
<td>Develop business network</td>
<td>H4a</td>
<td></td>
<td>2,911</td>
<td>0,406</td>
</tr>
<tr>
<td>Collect international business information</td>
<td>H5a</td>
<td></td>
<td>2,278</td>
<td>0,517</td>
</tr>
<tr>
<td>International competition analysis</td>
<td>H6a</td>
<td></td>
<td>1,881</td>
<td>0,597</td>
</tr>
<tr>
<td>Buy foreign products/services</td>
<td>H7a</td>
<td></td>
<td>2,206</td>
<td>0,531</td>
</tr>
<tr>
<td>Sell products/services internationally</td>
<td>H8a</td>
<td></td>
<td>19,544</td>
<td>0,000</td>
</tr>
<tr>
<td>Crowdsourcing</td>
<td>H9a</td>
<td></td>
<td>3,957</td>
<td>0,266</td>
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<tr>
<td>Marketing and promotion</td>
<td>H1b</td>
<td></td>
<td>6,822</td>
<td>0,033</td>
</tr>
<tr>
<td>Communicate</td>
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<tr>
<td>Online customer service</td>
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<td></td>
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<td>0,054</td>
</tr>
<tr>
<td>Develop business network</td>
<td>H4b</td>
<td></td>
<td>4,195</td>
<td>0,123</td>
</tr>
<tr>
<td>Collect international business information</td>
<td>H5b</td>
<td></td>
<td>10,305</td>
<td>0,06</td>
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<tr>
<td>International competition analysis</td>
<td>H6b</td>
<td></td>
<td>20,100</td>
<td>0,000</td>
</tr>
<tr>
<td>Buy foreign products/services</td>
<td>H7b</td>
<td></td>
<td>4,946</td>
<td>0,084</td>
</tr>
<tr>
<td>Sell products/services internationally</td>
<td>H8b</td>
<td></td>
<td>20,238</td>
<td>0,000</td>
</tr>
</tbody>
</table>

This coincides with the results of previous studies (Loane et al. 2007; Moen et al. 2003), firms use Internet mainly for communication and marketing purposes, market information collection, post sales service and not so much for online sales and transactions. However, contrary to what is stated by Loane et al. (2007), low usage is found in terms of competition analysis.

Impact of the Internet on Business

Respondents consider that using Internet technologies facilitates many international business related activities. It helps to reach more potential foreign customers, to develop entrepreneurs’ international business network and to overcome problems associated with the lack of knowledge about foreign
markets. However, respondents seem to be less convinced about the positive effect of the Internet on firms' export sales, profits and the number of foreign markets served. These data are very interesting because, as stated in the literature review, information and knowledge collection and the development of network relationships are often highlighted in the literature as essential benefits of the use of Internet for business purposes.

Hypothesis Testing
Since we are dealing with non-normally distributed variables, our data do not meet the assumptions of parametric statistics, so we opted for a non-parametric test. The Kruskal–Wallis rank test using SPSS software was the first choice because we are comparing more than two group. Still, the Jonckheere trend test is more suitable because this rank-based non-parametric test can be used for ordinal data in order to determine if there is a statistically significant trend between an ordinal independent variable and a continuous or ordinal dependent variable (Field 2009). So, authors also apply the Jonckheere-Terpstra test using SPSS software.

Regarding H1a, a Jonckheere-Terpstra test for ordered alternatives shows that there is not a statistically significant trend in the use of Internet for marketing and promotion purposes with a greater firms' export ratio. However, in relation to H1b, a Jonckheere-Terpstra test shows that there is a statistically significant trend of higher frequencies of Internet use for marketing and promotion purposes with higher export diversity, \( T_{JT} = 4086.0, p = 0.009 (<0.05) \). This means that although online marketing and promotion has no impact on firms' export ratio, it has a positive impact on the number of export markets served, which is consistent with the results of Mathews and Healey (2008), more specifically, with the idea that Internet's marketing and communication capabilities promote international market expansion.

Regarding H2a, a Jonckheere-Terpstra test shows that there is a statistically significant trend of higher frequencies of Internet use for communication with a greater firms' export ratio, \( T_{JT} = 9048.5, p = 0.001 (<0.05) \). In contrast, with regard to H2b, a Jonckheere-Terpstra test shows no statistically significant trend in the use of Internet for communicating with a greater export diversity. In line with Lu and Julian (2007), these results show that using the Internet as a communication medium positively influences firms' export performance. However, this happens in terms of export intensity but not export diversity.

Regarding H3a, a Jonckheere trend test shows a statistically significant trend of higher frequencies of Internet use for online customer service with higher export ratio, \( T_{JT} = 8385.0, p = 0.038 (<0.05) \). Accordingly, with regard to H3b, the same test shows a statistically significant trend of higher frequencies of Internet use for online customer service with higher export diversity, \( T_{JT} = 4125.5, p = 0.015 (<0.05) \). So, we can see that providing online customer service affects both export intensity and diversity. This can be explained, on one hand, by the fact that the Internet provides firms with the ability to deliver a customized service to potential customers and, on the other hand, by the fact that the
existing customers’ satisfaction with customer support can translate into a positive e-word-of-mouth (e-WOM) and generate new international business (Mathews and Healey, 2008).

Regarding H4a and H4b, a Jonckheere-Terpstra test shows no statistically significant trend toward greater use of the Internet for business network development being related to greater export diversity or ratio. These results are surprising given that the literature points out that the development of network relationships is one of the most important advantages of the business use of the Internet (e.g. Hamill, 1997; Lu and Julian, 2007; Prashantham, 2005).

Regarding H5a, a Jonckheere-Terpstra test shows that there is not a statistically significant trend in the use of Internet for international business information collection with a greater export ratio. Nonetheless, with regard to H5b, a Jonckheere-Terpstra test shows that there is a statistically significant trend of higher frequencies of Internet use for international business information with higher export diversity, $T_{JT} = 4422.0$, $p = 0.001 (<0.05)$. Although collecting business-related information through the Internet does not impact firms’ export growth, it does impact firms’ export diversity. This was somehow expected given that the easy, inexpensive access to information minimizes the lack of international business experience and facilitates foreign-market entry, promoting faster international market expansion (Arenius et al. 2005; Glavas and Mathews 2014; Mathews and Healy 2008).

Regarding H6a, a Jonckheere-Terpstra test shows no statistically significant trend in the use of the Internet for international competition analysis with greater export ratio. However, with regard to H6b, the same test shows that there is a statistically significant trend of higher frequencies of Internet use for international competition analysis with higher export diversity, $T_{JT} = 4587.0$, $p = 0.000 (<0.05)$. These results lead us to think that firms whose strategy is to expand to new international markets are using the Internet for international competition analysis, which is a key activity for competitive intelligence development.

Regarding H7a and H7b, a Jonckheere-Terpstra test shows no statistically significant trend toward greater use of the Internet for buying foreign products/services being related to greater export diversity or ratio. So, online purchasing does not affect firms’ export performance, what is not surprising given the low usage of the Internet for buying foreign products/services.

Regarding H8a, a Jonckheere trend test shows a statistically significant trend of higher frequencies of Internet use for selling products/services internationally with higher export ratio, $T_{JT} = 9349.0$, $p = 0.000 (<0.05)$. With regard to H8b, the same test also shows a statistically significant trend of higher frequencies of Internet use for selling products/services internationally with higher export diversity, $T_{JT} = 4791.0$, $p = 0.000 (<0.05)$. These results confirm our initial expectation that online sales would have a great impact on firms’ export performance and are consistent with previous studies (see Bianchi and Mathews 2015; Gibbs and Kraemer 2004; Morgan-Thomas and Bridgewater 2004; Sinkovics et al. 2013).
Not only a greater use of the Internet is related to greater export intensity, but it also increases the number of export markets.

**DISCUSSION**

Our results are consistent with Loane et al., (2007) and Moen, Endresen and Gavlen (2003) findings and lead us to agree with Sinkovics et al. (2013, p. 1), who argues that “the Internet may play a complementary role”, i.e., it may be typically used as a support for the existing export activities. Our questionnaire results lead us to conclude that the majority of firms use Internet tools for supporting a traditional export strategy, i.e., they use it, for instance, to communicate, to find international business-related information and to promote the firm, its products and/or services.

In line with Arenius et al. (2005) proposition, the use of the Internet can affect firm’s export performance both in terms of export intensity and diversity. However, the multiple Internet business functions affect export intensity and export diversity in different ways. These findings are in line with the work of Preece et al. (1999), with the conclusion that international intensity and diversity were differently affected by a number of variables drawn from International Entrepreneurship (IE) theory. Regarding e-communication practices, using Internet tools for marketing and promotion activities seems to have a positive effect on firms’ export performance (H1) in terms of export diversity but it does not affects the export intensity. Using the Internet as a communication medium, in turn, positively influences firms’ export intensity (H2). While providing online customer service affects both export intensity and diversity (H3), using the Internet for business network development does not seem to have any impact on firms’ export performance (H4), which is surprising given that the development of network relationships has been considered one of the main benefits of the Internet for business (Prashantham, 2005).

With regard to e-business intelligence, collecting business-related information through the Internet does not impact firms’ export intensity but it does impact firms’ export diversity (H5). Likewise, hypothesis-testing show that using the Internet for international competition analysis seems to enhance export diversification (H6). From this we can deduce that firms with an international market expansion strategy are using the Internet for competitive intelligence development. When it comes to e-commerce, hypothesis testing indicate that online purchasing does not affect firms’ export performance (H7). On the other hand, results provide support for H8 which indicates that online sales have a great impact on firms’ export performance (both through export intensity and diversity).

**CONCLUSION**
It is interesting to observe that only two Internet business functions are associated to greater export intensity and diversity at the same time: online sales and customer service. Selling products/services internationally was expected to be the Internet business function with greater impact on firms’ export performance since e-commerce provides a direct channel to export markets and enables firms to reach more potential customers from various foreign markets, as suggested in previous studies (e.g. Bianchi and Mathews, 2015; Gibbs and Kraemer, 2004; Morgan-Thomas and Bridgewater, 2004; Sinkovics et al., 2013). Regarding online customer service, this Internet business activity is closely linked to online sales, so its relationship with firms’ export performance is not surprising. Moreover, while pre-sales service can help to capture potential customers, after-sales service can help to retain customers and to promote a positive e-WOM and generate new international business (Mathews and Healey, 2008).

Knowing that the sample firms use the Internet more in terms of e-communication and e-business intelligence than in terms of e-commerce and e-collaboration, it is interesting to note that one of the business functions for which they use Internet less frequently is the one that has greater impact on firms’ export performance: selling products/services internationally.

These results support, in part, the initial proposition that the extent that e-business is assimilated by the SME can significantly affect its export performance because firms that adopt e-commerce practices (which already encompass e-communication and e-business intelligence practices) are expected to have greater export performance. However, we must note that e-collaboration does not impact firms’ export performance, which contradicts the proposition. Moreover, e-communication and e-business intelligence by itself also have a positive effect on firms’ export performance (even though at a lesser extent).

This lead us to agree with Loane et al. (2004) and Mathews and Healey (2008), who argue that either by improving the communication or by enabling online sales, the Internet is essential for developing international business opportunities. Still, using the Internet as a business enhancer and a business driver has a greater impact on firms’ export performance. In the scope of the “internetization” theory (Etemad et al. 2010), our results align with those of previous studies that conclude that committing resources to e-business is vital for any SME that intends to engage in internationalization. In practice, this means that the majority of Portuguese entrepreneurial firms can benefit more from the Internet than they actually do. Our findings are consistent with those of previous studies (Mathews and Healey, 2008) which suggest that the Internet provides firms with new export market opportunities, as well as with the ability to develop them in a flexible and speedily manner. As to policy recommendations, we stress the positive relation found between education and Internet business capabilities, which emphasizes the importance of promoting education and the development of ICT skills. Furthermore, we find it
important to improve awareness of the potential benefits of Web 2.0 tools and to encourage the adoption of e-collaboration practices among businesses.

This study contributes to the literature on internationalization by demonstrating that, as a result of its transforming effects on international operations, the Internet has become a major factor driving the emergence of INVs. Moreover, our research study provides empirical support for the “internetization” theory (Etemad et al. 2010), confirming that e-business has become an integral part of international business and a necessary condition for export market opportunities development. A limitation of this research study is that it does not consider the external context, neither some aspects at the firm level such as the existence of human and financial resources, product/service characteristics or the international experience or knowledge that also influence firms’ export performance and opportunity development. So, it would be interesting to replicate this study, taking environmental and firm-specific factors into consideration.

REFERENCES


I AM A RESPONSIBLE LEADER!

Schinzel, Ursula

Unicaf University: Online Education with Partner Universities Marymount California University and University of Nicosia, Cyprus

ABSTRACT

Purpose: "I am a responsible leader" was answered by one respondent when asked who is a responsible leader. The aims of the present study are to determine first if there is a link between responsible leadership and CSR in Luxembourg, and second Luxembourg’s specifics in the field of CSR.

Design: This is a qualitative study. 64 semi-structured interviews were conducted from January to August 2017 using four culturally different samples, namely: (1) Luxembourgers with Luxembourgish Nationality (Lux.Nat.), (2) foreigners who reside in Luxembourg (Lux.Foreigner), (3) cross-borderers, and (4) the rest of the world (World).

Findings: Responses from all four samples were similar on the one hand, and quite contradictory on the other. Three groups were formed: 1) Euphoric respondents who said it is the authenticity of the leader and his modelling role in lived CSR. 2) Second, moderate respondents. 3) Third, critical respondents, denying any link and claiming for change and innovation accusing the high Uncertainty Avoidance Index. In their opinion, there is an urgent need for managers to learn responsible leadership and CSR.

Research implications: This article contributes to the discussion on change and innovation in the field of leadership theory, first with particular emphasis on responsible leadership following Michael Maccoby, second on multilingual and multicultural Luxembourg in the middle of Europe, following Geert Hofstede and Edgar Schein, and third on CSR following Thomas Maak and Nicole Pless.

Originality: This study is the combination of research about responsible leadership and CSR in Luxembourg in connection with Hofstede’s cultural dimensions: high Long-Term Orientation (LTO), high Uncertainty Avoidance (UA), and high Collectivism (low Individualism).

Keywords: Responsible leadership, Corporate Social Responsibility (CSR), Cross-cultural management, International business, Hofstede, Change and Innovation, Luxembourg
INTRODUCTION

“I am a responsible leader” was answered by one respondent when asked who is a responsible leader. The purpose of this qualitative research is to explore if there is a link between responsible leadership and CSR in Luxembourg. 64 semi-structured interviews were performed among four culturally different samples, namely: (1) Luxembourgers with Luxembourgish Nationality (Lux.Nat.), (2) foreigners who reside in Luxembourg (Lux.Foreigner), (3) people from Germany, France, and Belgium who commute daily to work in Luxembourg (cross-borderers), and (4) the rest of the world (World). Convenience sampling was used. Respondents were asked: How do you link ‘responsible leadership’ and CSR in Luxembourg?

This research contributes to the existing knowledge by developing the theory of need for change and innovation. The author refines three existing theories, namely, Responsible Leadership (Maccoby, 2011), CSR (Maak, 2017; Maak & Pless, 2006) and Culture (Hofstede, Hofstede, & Minkov 2010), where culture is used as a moderator in the relationship between Responsible Leadership and CSR (Mecalf, 2010; Du, Swaen, Lindgreen, & Sen, 2013). Why Luxembourg? Because it provides the author with a steady cultural environment where other sub-cultures might vary in their behaviour (France, Germany, Belgium, Portugal, Italy, Spain…). This research is significant and strongly needed as a reinforcement in the claim for change and innovation in the field of responsible leadership theories and CSR theories.

After this introduction, the paper will first briefly review the extant literature on Responsible Leadership and CSR, describe Luxembourg’s linguistic and cultural peculiarities and offer a proposition. Paragraph 2 will describe the applied method: semi-structured interviews. Paragraph 3 will present the results from the four culturally different samples of respondents, and excerpts of some interviews. A summarizing table is offered for the reader’s convenience. Paragraph 4 contains the conclusion, discussion, and implication, as well as research limitations and further research opportunities. References will conclude this paper.

RESPONSIBLE LEADERSHIP

“There is only one irrefutable definition of a leader: someone people follow. Therefore, leadership is a relationship between the leader and the led. Unlike management, the leadership relationship cannot be delegated or automated” (Maccoby, 2011).

Responsible leadership is defined as being “about making business decisions that, next to the interests of the shareholders, also takes into account all the other stakeholders such as workers, clients, suppliers,
the environment, the community and future generations” (The Financial Times, 2015). Stückelberger and Mugambi (2007) split ‘Responsible Business Leadership’ into 5 aspects: 1) in general, 2) economically, 3) socially, 4) politically and 5) environmentally. Responsible leadership has increasingly been a topic of interest in recent years, looking into topics like ‘organizational culture’ (Schein 2009, 2010), ‘strategic intelligence’ (Maccoby, 2015), ‘raising performance through uplifting leadership’ (Hargreaves et al., 2014), ‘stakeholders’ (Maak, 2007; Maak & Pless, 2006), strategic leadership (Elenkov, D.S., Judge, W., & Wright, P., 2005), supportive leadership (Banai & Reisel, 2007), different types of leadership approaches (Northouse, 2012), and ‘narcissistic leaders: who succeeds and who fails’ (Maccoby, 2007). Northouse (2012) addresses the subject through different types of approaches: the trait approach, skills approach, style approach, situational approach, contingency theory, path-goal theory, leader-member exchange theory, transformational leadership, servant leadership, authentic leadership, team leadership, psychodynamic approach, women and leadership, culture and leadership, and leadership ethics. Murray (2010) asks: “What makes a great leader?” The roles of leadership styles in connection with CSR was the centre of interest for several researchers (Mecalf, 2010; Du et al., 2013): authentic leadership, integrity in leadership, transformational leadership, autocratic leadership.

CORPORATE SOCIAL RESPONSIBILITY CSR

CSR is defined as “the broad array of strategies and operating practices that a company develops in its efforts to deal with and create relationships with its numerous stakeholders and the natural environment (Waddock, 2004, p. 10, in Du et al., 2013).

Ethics, values, responsibility, sustainability, authenticity, involving one’s history, one’s relationship with others, my aspirations, my value system, acting true to oneself, acting on one’s values, ... these and more are key words that Freeman and Auster (2011, pp. 15-16, 22) are conducting research on. Values decide over ‘treating employees as rights-holders’, ‘creating value in an environmentally sustainable way’, ‘implementing CSR’, ‘becoming a good citizen in civil society’, ‘being a force for peace in the world’, ‘engaging in social entrepreneurship’, and ‘being an ethical or responsible leader’ (Freeman & Auster, 2011, pp. 15-23).

Voegtlin, Patzer and Scherer (2012) in their literature review underline the different streams of responsible leadership and CSR, where this research mainly intends the inclusion of ethics into leadership, saying responsible means ethical leadership, or the connection between CSR and transformational leadership (Waldman et al., 2006) or with authentic leadership (Avolio & Gardner, 2005), and/or servant leadership (Greenleaf, 1977; Liden et al., 2008), and the overlap of studies in ethics, leadership and CSR. The main question is: Who is responsible for what and towards whom in an interconnected business? With this, Voegtlin, Patzer and Scherer (2012) include globalization with
responsible leadership and CSR. For Avolio and Gardner (2005) authentic leadership is a positive form of leadership.

RESponsible LEADERSHIP AND CORPORATE SOCIAL RESPONSIBILITY CSR

Maak (2007, p. 329) argues that responsible leadership ‘contributes to building social capital and ultimately to both a sustainable business and the common good’, this is because business leaders have to build ‘enduring and mutually beneficial relationships with all relevant stakeholders’ through ‘durable relational structures and ultimately stable networks of relationships’. For Maak (2007, p. 339), the responsible leader is a weaver of value networks, contributing with these social ties to a sustainable business, the common good and eventually to a sustainable future. Pless (2007, p. 438) defines: “We understand responsible leadership as a values-based and thorough ethical principles-driven relationship between leaders and stakeholders who are connected through a shared sense of meaning and purpose through which they raise one another to higher levels of motivation and commitment for achieving sustainable values creation and social change.” She defines “a responsible leader as a person who reconciles the idea of effectiveness with the idea of corporate responsibility by being an active citizen and promoting active citizenship inside and outside the organization” (Pless, 2007, p. 450). Responsible leaders build sustainable relationships with stakeholders, to achieve shared objectives, the common good. This includes the different streams of leadership: ethical, authentic, servant and transformational. “Sustainability is about building a society in which a proper balance is created between economic, social and ecological aims” (Szekely & Knirsch, 2005, pp. 628, 629), where “companies integrate their economic, social and environmental objectives into their business strategies and optimize the balance among all three. Thus, the flexibility to change and to engage in dialogue and partnerships with different members of society are not given to all leaders. Internal (managers, employees, workers, worker health and safety, shareholder value) and external factors (market, government, stakeholders, energy efficiency) determine sustainability within a company. Szekely and Knirsch (2005) name the critical success factors to achieve sustainability as first: leadership and vision, second: flexibility to change, third: openness, i.e. stakeholder engagement.

Pruzan and Miller (2006) address four questions in their research: What is responsibility? Can organizations be responsible? Why be responsible? What obstacles are there to being responsible? They found four different perspectives on responsible leadership and corporate responsibility: rational, humanist, holistic and spiritual based. They found six obstacles to being responsible: time, distance, internal pressures, external pressures, ego and the desire to maximize personal wealth. They ask the question “To what extent are leaders and organizations responsible for creating wealth for the largest
possible group/community/society rather than for their own personal benefit?" (Pruzan & Miller, 2006, pp. 85-87). If shareholders have a claim for wealth, intending corporation’s objective is shareholder’s wealth maximization, then we are looking at a new aristocracy viewpoint where the primary goal of corporations is the maximization of shareholder’s wealth, just like in pre-industrial times. The corporation is considered being property of the shareholders, who can buy and sell with the only objective: profit maximization, evidently to the loss of employees – the employee is the loser in this model. Remuneration systems relying mainly on stock options reinforce this criticism. In this system, the scope of responsible leaders and responsible social companies is reduced to shareholder’s wealth maximization, achieving financial goals at the loss of other goals (Pruzan & Miller, 2006). In summary, there are three streams of theories in the field of ‘responsible leadership and CSR’: first those who see only benefits in this combination, second those who reflect on positive and negative outcomes, and third those who criticize the negative outcomes of this combination.

LUXEMBOURG

Luxembourg is a parliamentary democracy and a constitutional monarchy, it is the only remaining Grand Duchy in the world. As of 1st of January 2017, Luxembourg’s total population consisted of 590,700 inhabitants of whom 309,200 (52.34%) were Luxembourgers and 281,500 (47.66%) were foreigners (statec, 2017), these included 96,800 Portuguese, 44,300 French, 21,300 Italians, 20,000 Belgians, 13,100 Germans, 6,100 British, 4,300 Dutch, 34,400 other EU countries, 41,200 other, see http://www.statistiques.public.lu/stat/TableViewer/tableView.aspx. Cross-borderers are a distinguishing characteristic of Luxembourg’s employment situation. Domestic employment was 418,400, comprising 176,600 cross-borders (42.21%): 88,600 from France, 43,800 from Belgium, and 44,200 from Germany. Luxembourg’s motto is: ‘Mir wëlle bleiwe, wat mir sin’ ['We want to remain what we are']. Luxembourg is one of the smallest countries in Europe with a total size of 2,586 km². It is 82 km long and 57 km wide and has borders with Germany (138 km), with France (73 km), and with Belgium (148 km) (The World Factbook). The language situation is anchored deeply in the country’s history (Schinzel, 2013). There are three official administrative languages: French, German, Luxembourgish (statec, 2016); Luxembourgish (Lëtzebuergesch) being the national language. The public education system is tri-lingual: the instruction language in Kindergarten is Luxembourgish, being replaced by German as language of instruction in primary school and then gradually replaced by French in secondary school (Kraemer, 1995; Schinzel, 2014a; 2014b; Weber and Horner, 2008). Citizenship is only awarded to those who speak Lëtzebuergesch (Spizzo, 1995).

The author replicated Geert Hofstede’s cultural dimensions study in Luxembourg and compared the findings with Hofstede’s estimates. Luxembourg’s specific cultural environment is characterized by low
Power Distance (PDI=29), high Uncertainty Avoidance (UAI=95), low Individualism = high Collectivism (IDV=34) (COL=66), medium Masculinity (MAS=54), high Long-Term Orientation (LTO=65), medium Indulgence versus Restraint (IVR=55), and low Monumentalism (MON=24).

In international trade, “companies must adapt their assortment, their collections, and their retail concepts. This is about “cultural distance and local adaptation: The necessity of adapting. Wherever a company comes from, great chances exist to encounter cultural differences…” Feldmann (2016, pp. 14-15)

Table 1 (Schinzel, 2017a) shows Hofstede’s (2001) and Hofstede et al.’s (2010) cultural dimensions of Lux.Nat. and Lux.All., Hofstede’s estimates for Luxembourg, his data for France, Germany, the UK, Belgium FR, Belgium NL, Italy, the Netherlands, China, the USA, and Japan (on a scale from 1-100, 1 being the lowest and 100 the highest score), where the cultural differences become clear.

The following proposition is offered:

Luxembourg’s linguistic and cultural particularities means that any links between responsible leadership and CSR will not be homogeneous in the country’s companies. Therefore, such links will depend on the authenticity of individual leaders or groups of leaders and this, in turn, depends mainly on cultural dimensions and the leader’s value system.

**METHODOLOGY**

For the purpose of this qualitative study, 64 semi-structured interviews were carried out mainly between January and August 2017. Respondents were asked: 1) What is the link between Responsible Leadership and CSR in Luxembourg? and 2) What is typical for Luxembourg in the field of CSR? Respondents were from the four culturally different samples: Lux.Nat. (11), Lux.Foreigners (21), Cross-Borderers (10) and the rest of the World (22). Interviews were carried out in Luxembourgish, English, French, German, and Italian. They were in person, by phone, via skype or email exchange and lasted between 30 minutes and 2 hours. For confidentiality reasons, interviews were not taped nor recorded or filmed. In-depth notes were taken during the interviews. After the interviews, the respondents were presented the summary of the interview and their consent was asked. Interviews in Luxembourgish,
French, German, Italian or Spanish were translated into English. Main themes were elaborated from the interviews.

RESULTS

The results are shown in this paragraph. Table 2 summarizes the respondents’ demographics.

Table 2 Respondents’ demographics (N=64)

<table>
<thead>
<tr>
<th>Respondents’ profile</th>
<th>Classification</th>
<th>Number of respondents</th>
</tr>
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<tbody>
<tr>
<td>Gender</td>
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<tr>
<td>Male</td>
<td></td>
<td>34</td>
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<tr>
<td>Female</td>
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<td>30</td>
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<tr>
<td>Total</td>
<td></td>
<td>64</td>
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<tr>
<td>Age</td>
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<td>0-24</td>
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<td>25-34</td>
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<td>35-49</td>
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<tr>
<td>50-59</td>
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<td>25</td>
</tr>
<tr>
<td>Over 60</td>
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<td>4</td>
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<tr>
<td>Industry sector</td>
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</tr>
<tr>
<td>Tourism, Food, Petrol, Politics, Telecom, Construction</td>
<td>16</td>
<td></td>
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<tr>
<td>Education, Human Resources</td>
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<td>14</td>
</tr>
<tr>
<td>Banking and Finance</td>
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<td>12</td>
</tr>
<tr>
<td>Law, Medicine, Journalism</td>
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<td>10</td>
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<tr>
<td>Civil Servants</td>
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<td>2</td>
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<tr>
<td>Education level</td>
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<tr>
<td>A-level and professional education, undergraduates</td>
<td>15</td>
<td></td>
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<tr>
<td>Masters and Doctorates</td>
<td></td>
<td>49</td>
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<tr>
<td>Profession</td>
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<tr>
<td>General Manager</td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>Manager HR, Communication, Training, Marketing</td>
<td>54</td>
<td></td>
</tr>
<tr>
<td>Professor</td>
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<td>5</td>
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</tbody>
</table>

In total, the 64 respondents come from 14 different countries, have 14 different nationalities and speak 14 different languages, with 4 holding double nationality: Luxembourgish + Portuguese, Dutch + German, American + Hebrew, and American + Bulgarian.

Mother tongues are: French (18), German (11), Luxembourgish (11), English (7), Italian (7), Dutch (3), Hindi (2), Portuguese (1), Hebrew (1), Bulgarian (1), and Polish (1), with 3 respondents having 2 mother tongues: Portuguese + French (1), English + French (1), French + German (1). 4 respondents speak 6 languages, 8 speak 5 languages, 18 speak 4 languages, 11 speak 3 languages, 21 speak 2 languages, and 2 respondents speak one language (English).

SUMMARY RESULTS FOR THE 2016 INTERVIEWS: “WHAT IS RESPONSIBLE LEADERSHIP IN LUXEMBOURG?”

Before showing the interview results from this study, the author wants to summarize the interview results from a previous study from 2016 (Schinzel, 2017b, p. 15-17) researching the question: What is
responsible leadership in Luxembourg. The crosses in the table show that respondents from this category, but not the other categories, mentioned this criteria.

Table 3 Interview summaries

<table>
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<tr>
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<tbody>
<tr>
<td>1) Responsible Leadership is:</td>
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<td></td>
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</tr>
<tr>
<td>Ecological responsibility</td>
<td>x</td>
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<tr>
<td>Social and human responsibility</td>
<td>x</td>
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<tr>
<td>Economical/business/commercial responsibility</td>
<td>x</td>
<td></td>
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<tr>
<td>Long-term (versus short-term) orientation</td>
<td>x</td>
<td></td>
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<tr>
<td>The Grand Duke and the Grand Ducal Family [mentioned by Italians living in Luxembourg and by Cross-Borderers]</td>
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<td>x</td>
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<tr>
<td>Politicians [mentioned by Italians living in Luxembourg and by Cross-Borderers]</td>
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<td></td>
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<tr>
<td>Citizens [mentioned by Italians living in Luxembourg and by Cross-Borderers]</td>
<td></td>
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<td>x</td>
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<tr>
<td>Employing the highest standards of ethical behavior</td>
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<td>x</td>
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<tr>
<td>Corporate Social Responsibility (CSR)</td>
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<td></td>
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<td>x</td>
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<tr>
<td>2) Examples for Responsible Leadership are:</td>
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</tr>
<tr>
<td>Cactus [mentioned as irresponsible by Lux.Foreigners]</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Luxair [mentioned as irresponsible by Lux.Foreigners]</td>
<td>x</td>
<td></td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Luxlait</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodyear</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SES Astra</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>CFL Multimodal</td>
<td>X</td>
<td>X</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Delphi [by hiring locally but also expatriates, contributing to an ideal mixture and diversity]</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The current Government and Prime Minister [mentioned as irresponsible by Lux.Nat.]</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Me, I hope [mentioned as responsible only, never as irresponsible]</td>
<td>x</td>
<td></td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>My boss [mentioned as both: responsible and irresponsible]</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The trilingual public education system [mentioned also as irresponsible]</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My father</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jean-Claude Juncker [mentioned also as irresponsible]</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Grand Duke and the Grand Ducal Family [mentioned by Italians living in Luxembourg and by Cross-Borderers]</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Politicians [mentioned by Italians living in Luxembourg and by Cross-Borderers]</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Citizens [mentioned by Italians living in Luxembourg and by Cross-Borderers]</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5) Typical for Luxembourg is:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multilingual</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Multicultural</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>The Cross-Borderers</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>The diversity</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>High standard of life</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
</tr>
</tbody>
</table>
11th Annual Conference of the EuroMed Academy of Business

Rich, high GDP

<table>
<thead>
<tr>
<th>The small size: limitations due to its small size, limited resources and small projects</th>
<th>X</th>
<th>x</th>
</tr>
</thead>
<tbody>
<tr>
<td>The trilingual public education system</td>
<td></td>
<td></td>
</tr>
<tr>
<td>It’s a great place to live and/or work [mentioned only by cross-borderers, not by Lux.Nat., nor by Lux.Foreigners]</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>There are too many irresponsible leaders in Luxembourg [mentioned by Lux.Nat. as a criticism at the foreign banks and financial institutions?]</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Banks, financial institutions, special laws and rules</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Money laundering, bank secrecy (now finished)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bullying and harassment at work is frequent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Sport) Clubs, associations, teams</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Too expensive housing prices, real estate</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Tourism, beautiful nature and Luxembourg City</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Good social and medical system and health care</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Nepotism</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Everybody knows everybody (and everything)</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Quick and easy contact</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Tourism, beautiful nature and Luxembourg City</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Tolerance for the different</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Integration not separation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The good working conditions in general, where forecasts are met by reality (not the case in my home country).</td>
<td>x</td>
<td></td>
</tr>
</tbody>
</table>

“Respondents named the following attributes of responsible leadership: the three big categories: ecological, social and human, economical responsibility, followed by long-term and short-term orientation, personal capabilities, getting results, interpersonal skills, trust, ethical behavior, security, respect, fairness, reliability, doing not talking, commitment, compassion, keeping your promises, and finally corporate social responsibility.

Respondents named the following responsible leaders: the current government and Prime Minister, the Grand Duke and the Grand Ducal Family, former Prime Minister Pierre Werner, Cactus, Luxair, Goodyear, Luxlait, Delphi, SES Astra, CFL Multimodal, Gaston Vogel, Jean-Claude Juncker, Heinen in Bech Macher, “me, I hope”, my boss, my father, the trilingual public education system, Steve Jobs, Barack Obama, Pope Franziscus, Bill Gates Warren Buffet, Gian Luca Buffon, Mr. Rossmann, Gandhi, Angela Merkel, Martin Luther King, McDonalds’ leaders, the CEO of Costco, Richard Bradson from Virgin Business Group, ‘you’ or Dr Ursula Schinzel.

Respondents named the following attributes as typical for Luxembourg: multilingual, multicultural, cross-cultural management, cross-borderers, diversity, tolerance for the different, integration instead of separation, rich and highest GDP, high salaries, low taxes, banks and financial institutions, European institutions, money laundering, bank secrecy (now finished), good working conditions in general, good social and healthcare system, where forecasts meet reality, difference in legislation for the five different samples of people (Lux.Nat., Lux.Foreigners, Cross-Borderers, World, and Civil Servants), limitation due to small size and limited resources, trilingual public education system, a great place to live and/or work, (sport) clubs, associations, teams, expensive housing prices, quick and easy contact, given that
everybody knows everybody and everything, therefore nepotism, too many irresponsible leaders, beautiful nature and tourism, social events like Schueberfouer (Schenzel, 2017b, p.22).”

Respondents gave contradictory answers. Some confirmed the euphoric standpoint by Maak & Pless (2006), others were more moderate, and the third group was most critical, denying any existence of responsible leadership and/or corporate social responsibility in Luxembourg.

RESULTS FOR THE INTERVIEWS: RESPONSIBLE LEADERSHIP AND CSR IN LUXEMBOURG

In the following, the answers are divided into three groups. 1) First, those respondents who are euphoric and positive about responsible leadership and CSR in Luxembourg. 2) Second, those respondents who are more moderate. 3) Third, the critical respondents; those who criticize the current situation, denying any existence of neither responsible leadership nor CSR, expressing a call for change and innovation.

1) How do you link ‘Responsible Leadership and CSR in Luxembourg?’

How do you link ‘Responsible Leadership and CSR in Luxembourg’ is best shown by the respondents’ citations, separated into the three groups: 1) euphoric and positive respondents, 2) moderate respondents, and 3) critical respondents, as set out in the table below.

Table 3: Question 1: How do you link ‘RL and CSR in Luxembourg? Representing the three groups of respondents.

<table>
<thead>
<tr>
<th>Euphoric and positive respondents</th>
<th>Moderate respondents</th>
<th>Critical respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 components of responsibility: 1. Economic, 2. Social, 3. Ecological.</td>
<td>RL is in relation with companies that integrate social and environmental concerns in their business.</td>
<td>I am not aware of such a link in Luxembourg. There are neither responsible leadership, nor CSR, nor any link, nor are they implemented in Luxembourg.</td>
</tr>
<tr>
<td>I am an authentic manager.</td>
<td>Support activities and comply to higher standards beyond the strictly economic, social and ecological interests.</td>
<td>Should take into consideration safety and health at work, but does not.</td>
</tr>
<tr>
<td>It’s about the stakeholder components.</td>
<td>The responsible leader takes care of the organization’s ethical behaviour.</td>
<td>The reality is: laying off people, bullying, unhappiness at work, minimum wages even for senior employees.</td>
</tr>
<tr>
<td>I work towards a better world. It’s about saving the world.</td>
<td>Fulfilling the needs of multiple stakeholders.</td>
<td>In conclusion: RL and CSR are mostly words.</td>
</tr>
<tr>
<td></td>
<td>The leader applies ethics towards all its stakeholders.</td>
<td>I don’t know anything about CSR.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>There is no CSR in Luxbg.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Despite high GDP, no budget for CSR.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>There are too many irresponsible leaders in Luxbg.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>We would urgently need change and innovation.</td>
</tr>
</tbody>
</table>
The following are some citations that provide more detail.

**Euphoric and positive respondents reply:**

Citation from a manager, Lux.Nat. category (R1):

"I am a responsible leader"

Citation from a Manager, Lux.Foreigners category (R2):

“Responsible leadership always consists of 3 components: 1. Economic, 2. Social, 3. Ecological. The link between responsible leadership and CSR in Luxembourg is the authentic leadership style, as well as the globalization, the innovation and creativity and the inclusion into the communes. I as the manager live this. I am an authentic manager. I live this as a manager and as a mother. Before, I was responsible for the environment department here. I was responsible for protection of the environment in Europe and in North Africa. Especially as a mother, I want to give my children a clean world.”

The Manager from the Industry, Lux.Foreigners category (R3) explained:

“It’s about the stakeholder component. I care most about work security. I want 0 accidents
We have a sign at the entrance: 386 days without accident. Our absolute record was 476 days!
Stakeholders are not only my people and their security at work, but also the community where we live. We live exactly in the middle of the community and are very much involved. NGOs are other stakeholders, including associations such as ‘Stop Dioxine’ and ‘Mouvement écologique’. This said, we have a green telephone hotline, which citizens might use to complain about nuisances like noise or dust. We have an Integrated Management System (comprising ISO 9001 Qualität, ISO14001 Umwelt, ISO 50001 Energie, OHSAS 18001 Sicherheit). I am part of BAT groups: Best Available Techniques, in Brussels, and very proud of the fact that we are benchmarked in environmental techniques and our furnaces have the best dust extraction units worldwide.
Stakeholders are also suppliers and clients. All of our employees have to attend a training session about our Code of Ethics, Human Rights and Code of Business Conduct. This is part of the Legal Training. This meaning that I treat my employees well and no form of discrimination is tolerated here. Especially not under my management. I emphasize diversity, independent of gender, age, sexual orientation or education.
We verify that our suppliers produce in an ethical way: no child labour, no social dumping, no environmental dumping, no expulsion of entire ethnic groups, i.e. Indian reservations. We rely on the International Human Rights.”

Here is what a Hotel Manager from the World category wrote in his brochure and confirmed in his interview (R4):
“The present Hotel works towards a better world by paying out company profits in the form of social dividends that benefit the surrounding area, enabling others to flourish too. It is a source of inspiration for its customers and a sprawling ground for new ideas and opportunities, with the aim of building an honest, sustainable and socially responsible society, together. It is a commercial catering and leisure business without shareholders, owned by a foundation, built on the foundations of the former school. This idealistic basis, funded by the private sector, inspired volunteers to work with and for each other. This challenged people to bloom on a social, mental, emotional, spiritual and physical level…”

**Moderate respondents say:**

A teacher from the Lux.Nat. category said (R1):

“Responsible leadership is in relation with companies that integrate social and environmental concerns in their business.”

Here is the citation from a lawyer, Lux.Nat. category (R2):

“Some corporate entities ensure to support activities and to comply to higher standards in some sensitive areas beyond their strictly personal financial and economic interests, i.e. by sponsoring social and non-profit organizations, like youth movements, research organizations…etc., by hiring handicapped employees beyond legal quotas, by applying higher environmental standards through selective waste management or fuel-efficient fleets of vehicles. One leader I know engages strongly in the circular economy, by using for example only recycled or used objects to furnish his offices + using energy saving heating and ventilation systems, both clearly creating also a better work environment for employees.”

A professor from the World category said (R3):

“The responsible leader takes care of the organization’s ethical behaviour in and out of the organization’s boundaries. The leader applies ethics towards all its stakeholders.”

This is what a start-up manager, World category, said (R4):

“The link between Responsible Leadership (given the multiplicity of “responsibility” and “CSR” in the sense of how companies are aligned with fulfilling the needs of multiple stakeholders is limited by the fact that corporations – like markets – are designed to maximize the profit of who designs them. The link between leadership and social responsibility in a company is visible in the choice, among different available business solutions, of the one which also has the greatest social benefit, and walking away – from the company – in case the strategic directions are not compatible with the personal social principles.”

**Critical respondents say:**

A journalist from the Luxembourg Foreigners category had this critical citation (R1):
“I am not aware of such a link in Luxembourg. If there is any, it is not that obvious. 1) In terms of CSR in Luxembourg: companies have no sorrows laying off senior people and hiring junior staff with lower salaries... Counting on the welfare state has become a bad habit of corporates: On the one hand, they kick senior people out of their business, with the hope that the welfare state will take care of them. On the other hand, they hire senior and experienced people, under the condition that the welfare state will pay their salary and social contributions. 2) Furthermore, one never talked that much these last years about well-being, burnout or workplace bullying at work, so that the Government is now intending to pass a law to prevent and or punish bullying at work. 3) While interviewing people on their day-to-day work, most of them say they are unhappy at work, being on the minimum wage after so many years... 4) Luxleaks has shown that major international companies prefer to practice fiscal evasion instead of paying their regular tax contribution... My conclusion: Responsible Leadership and CSR are mostly words. They are neither linked, nor are they implemented in Luxembourg.”

Here is what a European Civil Servant had to say, Lux.Foreigners category (R2):

“There is no such link yet for the European Union, and we are lacking this research urgently. This is the gap in knowledge, and this is your contribution to knowledge!”

A manager, Cross-Borderers category, said (R3):

“Responsible Leadership is not just about creating value for shareholders but also creating value for stakeholders (employees, providers, clients, administrations, citizens...). First of all, responsible leadership must take into consideration safety and health at work.”

A respondent from the Lux.Nat. category said in the previous study from 2016 (R4):

“There are too many irresponsible leaders in Luxembourg. We urgently need change and innovation here.”

2) What does your company do in the field of CSR?

What the company does in the field of CSR is best shown by the respondents’ citations, respectively in the 3 groups: 1) euphoric and positive respondents, 2) moderate respondents, and 3) critical respondents, as set out in the table below.

<table>
<thead>
<tr>
<th>Euphoric and positive respondents</th>
<th>Moderate respondents</th>
<th>Critical respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Many great special activities/events are offered for all stakeholders: employees, the community, clients, customers…</td>
<td>The responsible leader takes good care of his employees, customers, suppliers, public and other stakeholders.</td>
<td>Honestly, I don’t know what my company does about CSR.</td>
</tr>
<tr>
<td>There are many wonderful examples for RL and CSR in</td>
<td>Provides training in ethics.</td>
<td>Our firm is too small.</td>
</tr>
</tbody>
</table>
Luxembourg: neighbour festivities, sports pour tous, parties, school events....

<table>
<thead>
<tr>
<th>Energy saving activities: i.e.: installation of solar panels, waste management, recycling, soap collection.</th>
<th>Informs employees about their rights.</th>
<th>We are a start-up, we do not do much.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation at its best.</td>
<td>Sustainability projects.</td>
<td>Equal reward systems for all employees.</td>
</tr>
<tr>
<td>Equal employment for women.</td>
<td>Swimming Pool, sports activities.</td>
<td></td>
</tr>
</tbody>
</table>

**Euphoric and positive respondents say:**

The respondent from the hotel replied, World category (R1):

“Begin every day with something beautiful!

Three Sundays ago, I organized a special day/event, for kids with cancer, for their families. I asked everybody from the staff, to work on a voluntary basis, everybody could sleep in the hotel for free, benefit from the swimming pool, from the restaurant, from the nature and environment, the nice rooms. This is one of the many examples. I point this one out, because I met somebody at a party and his son has cancer, and the idea came me and of course we want to do it.” “Another example would be that we employ handicapped people who work in our garden. And we collaborate with the University of XXX by inviting Art students to our hotel, to stay in the hotel for several weeks and produce art that will remain in the hotel. Art, culture and nature is very important for our hotel. Most of the time we try to keep ‘local’ and ‘bio’, which is a challenge in cost and taste. Not every client likes to eat cabbage because it’s the season and from our own garden!”

A university professor, World category, noted (R2):

“The University of XXX is quite active in the CSR field. They promote the employment of women and indigenous people, prioritize sustainability projects, and invest in appropriate shares. Here are some examples (reply to the next question): We spent $xxx on installing solar panels on the roof of our building and linked with research units to measure the effectiveness of 8 different methods and types of solar panel installation. Spent $xxx on installing upgraded swimming pool plant to use less water and less chemicals. Advertised women only academic positions in Mathematics and Sciences. Investing in sustainability friendly companies. Recycle as much as possible, including batteries. Controlling heating and cooling to reduce greenhouse gas emissions. All new buildings required to meet the highest level of ratings in sustainability. Conducting experiments to use geo-thermal heating and cooling options in buildings.”

The Manager from the Steel Company (Lux.Foreigners) shared these facts (R3):
“Steel can be recycled infinitely. We recycle everything that is out of steel, we melt it. We save energy, we keep CO2 emissions low, we avoid dust, we keep our workplace clean. We produced the steel beams for the ‘Freedom Tower’ in New York. The first of these steel beams travelled the entire USA, and everybody was asked to sign the steel beam. 10 years Industrial Leadership 2006-2016. Many beautiful skyscrapers. Earthquake proof. Sheet piles which protect the entirety of Venice from flooding, or which protect New Orleans’s coast after hurricane Katrina.”

The moderate respondents say:

A professor from the World category said (R1):

“Takes good care of employees, customers, suppliers, the public and other stakeholders. The organization provides training in ethics to all employees and managers.”

Citation from a lawyer, Lux.Nat. category (R2):

“Allocating extra-legal bonuses, extra-legal days off…etc, treating employees fairly and ethically.”

Citation from a professor, World category (R3):

“Inform employees about their rights, keep their rights and lead in terms of compensation and benefits. Maintain safety and protect all against violence and harassment.”

The critical respondents say:

Citation from a Human Resource Manager, Cross-Borderers category (R1):

“Honestly, I do not know, what our company does in regards to CSR.”

The Lux.Nat. lawyer answered (R2):

“Our firm has too small a scale (6 employees) to act consistently in that field, however it tries to act socially toward its staff by ensuring a “large” interpretation of social laws. A “services” firm like ours has only few possibilities to reduce its impact on the environment.”

The start-up manager, World category, answered (R3):

“Not much in an explicit way. However, as we are developing Cleantech solutions which reduce pollution and enable renewable power systems, the success of the company results is a success for Sustainability. The vision & mission of the company is to contribute to “save the planet”.

3) What else could your company do in CSR? What would you wish they would do (more)? What didn’t they do?
What else the company could do in the field of CSR and what they would have wished they would do is best shown by the respondents’ citations, respectively in the 3 groups: 1) euphoric and positive respondents, 2) moderate respondents, and 3) critical respondents, as set out in the table below.

Table 6: Question 3: What else could your company do in CSR? What would you wish they would do (more)? What didn’t they do? Representing the three groups of respondents

<table>
<thead>
<tr>
<th>Euphoric and positive respondents</th>
<th>Moderate respondents</th>
<th>Critical respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Go local, buy local.</td>
<td>No responses here.</td>
<td>We should do more in environmental sustainability.</td>
</tr>
<tr>
<td>New recycling products.</td>
<td></td>
<td>We consume masses of paper.</td>
</tr>
<tr>
<td>Recycle paper, soap, bottles,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Introduce paperless system.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduce waste, re-use bottles…</td>
<td></td>
<td>Men and women are payed different wages for same jobs.</td>
</tr>
<tr>
<td>Organize fewer journeys by car.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Focus on sustainability.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Focus on communication.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Focus on education of clients,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>customers, employees.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stay in the market.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuously change, grow,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>develop, and innovate.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Justice, equality and fairness in rewards distribution.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gender equality.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Develop online/digital work/study/meeting.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Euphoric, positive respondents say:

The Marketing Manager from the hotel, World category, said (R1):

“We have the milk from a farmer, very good, but 2 years ago they couldn’t produce enough milk for us. The farmers couldn’t follow our high demand, but this issue is now solved.

6 weeks ago, we went to D…., they make bottles, their mission is to get rid of all the plastic bottles in the ocean. We want to collaborate with them, so that our business guests can get a D…., and the guests can get their own D… to refill. D is a young company with a good mission, they want to change the world.

We do a lot, but this is not possible to do it all, we have to make choices, because people don’t want to pay for it. We use natural materials in the beds. We will be producing our own beer, also organic.

A better focus on sustainability, and on communication, on education of the clients. To avoid spoilage for food, to ensure that guests do not take more food from the buffet than they can eat. I would like to have only bio products here, but guests are not ready yet. Or to make guests take only 2 towels, but why do guests always want to have 10 or more towels? They always want more. Why? We want to save water. It is difficult to make the guests understand to save water in the shower. Of course, we have nice
in-room showers, but guests should not waste water on too long showers. It is not simple. We have to satisfy a lot of people, private guests, companies, the government, it is not possible to satisfy always everybody. Luckily we can see a change in behavior.”

About the liquid soap; we didn’t want all the small soap, shampoo, conditioner anymore because it’s a lot of waste in packaging/plastic. It’s easy to refill. Last month my colleague was contacted about soap which is recycled from coffee! Maybe we have it next year. For now, our new liquid soap has a EKO certificate.

There are even colleagues in the hotel who worked here already in the Volkshogeschool, sometimes over thirty years! They saw the whole transition from Volkshogeschool to ‘blooming’ these days. One of our managers is already 15 years in ‘blooming’ and on my own department two colleagues will be 10 years here in September. Of course, the younger employees in hotels make the switch easier.”

The respondent from the Steel Company, Lux.Foreigner category, explained (R2):

“Stay in the market. You have to continuously develop, change, grow, in all domains. We have tried everything, there is nothing we didn’t try. All necessary steps are undertaken.”

Citation from a professor, World category (R3):

“Provide justice, equality and fairness in rewards distribution, mostly between the genders. Take care of the environment.”

Citation from a lawyer, Lux.Nat. category (R4):

“i.e. by working with a more efficient paperless IT system, using recycled paper (although sometimes of a poorer quality).”

This is what a manager of a language school, Cross-Borderers category, said (R5):

“Organize fewer journeys by car. Develop language classes by phone or by Skype. Organize some health and/or yoga workshops in order to help our employees in feeling better at work.”

Moderate respondents say:
There were no moderate respondents here.

Critical respondents say:

Citation from a lawyer, category Lux.Nat. (R1):

“Although limited in its possibilities, our firm could do more in environmental sustainability, as it is consuming masses of paper.”

Citation from a professor category World (R2):

“Pay males and females equal rewards for equal inputs.”

4) What else do you know about CSR?
What else do you know about CSR is best shown by the respondents’ citations, respectively in the 3 groups: 1) euphoric and positive respondents, 2) moderate respondents, and 3) critical respondents, as set out in the table below.

Table 7: Question 4: What else do you know about CSR? Representing the three groups of respondents

<table>
<thead>
<tr>
<th>Euphoric and positive respondents</th>
<th>Moderate respondents</th>
<th>Critical respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>No responses in this group here.</td>
<td>No responses in this group here.</td>
<td>Unfortunately, CSR is not sufficiently widespread in Luxembourg.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>I cannot quote any further specific practical applications.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>CSR is a strategic concept that requires companies to accept their responsibility towards society.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Everybody says it is essential to an organization’s success but very few actually apply it in their organization.</td>
</tr>
</tbody>
</table>

There were no responses from euphoric and positive, or moderate respondents. This question was answered generally in a critical way.

Citation from a lawyer, Lux.Nat. category (R1):
“Unfortunately, CSR is not sufficiently widespread to my knowledge in Luxembourg and I cannot quote any further specific practical applications.”

Citation from a manager, Cross-Borderer category (R2):
“CSR is a strategic concept that requires companies to accept their responsibility towards society.”

Citation from a professor, World category (R3):
“Everybody says it is essential to an organization’s success but very few actually apply it in their organization.”

2) What is specific about Luxembourg in the field of CSR?
What is specific about Luxembourg in the field of CSR is best shown by the respondents’ citations, separated into the 3 groups: 1) euphoric and positive respondents, 2) moderate respondents, and 3) critical respondents, as set out in the table below.

Table 4: Question 2: What is specific about Luxembourg in the field of CSR? Representing the three groups of respondents.

<table>
<thead>
<tr>
<th>Euphoric and positive respondents</th>
<th>Moderate respondents</th>
<th>Critical respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tripartite: social model typical for Luxembourg, in combination with the State, ARBED and the trade unions, functioning since the 1970s.</td>
<td>Sensitivity to the special needs of the cross-border workers (language, labour, legal differences such as in taxation, cultural attitudes toward gender, race and national origin) and their working hours and holidays.</td>
<td>Responsible Leadership linked with Social Responsibility: the human being should be in the middle of the economic actions. The question is: is this really so?</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Japanese management method 5S.</td>
<td>Responsibility to the maintenance of a strong and productive EU and respect for the legal differences between the various EU nations.</td>
<td>From my own professional experience, in all of my leading positions, the well-being of my employees stood always in the centre of my endeavours. I succeeded in having satisfied employees and a good climate, otherwise I couldn’t have realised the good results.</td>
</tr>
<tr>
<td>Resisting the price dumping from China.</td>
<td>The Big Four are active in this field.</td>
<td>Today everything is impersonal, I think I realised my objectives of being a responsible leader.</td>
</tr>
<tr>
<td>Pre-pension possibilities.</td>
<td></td>
<td>I was laid off.</td>
</tr>
<tr>
<td>Varied training program, including security, health, field competence, languages, law.</td>
<td></td>
<td>My company was shut down.</td>
</tr>
<tr>
<td>0 accidents.</td>
<td></td>
<td>Despite its generally high standard of wealth, Luxembourg’s corporate entities should more easily be able to allocate budget and human resources to CSR policy than in economically less fortunate countries.</td>
</tr>
<tr>
<td>The high standard in general.</td>
<td></td>
<td>Change and innovation is needed here.</td>
</tr>
<tr>
<td>Specific environmental technologies.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diversity in cultures and languages.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low turnover of employees.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Many great examples: sports, gardens, festivities, languages, cultural mix, fairs.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The social component.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The euphoric, positive respondents say:

The respondent from the industry, Lux.Foreigner category, named the following as typical (R1):

- “Typical for Luxembourg is the ‘Tripartite’, this is the social model typical for Luxembourg, in combination with the State, ARBED and the trade unions, functioning since the 1970s.
- We try to resist the price dumping from China. This is a real challenge, but until now we resisted successfully, thanks to development of high added value products and innovation.
- We practice the Japanese management method, 5S, in our plant.
- The pre-pension possibilities.
- The varied training program, including security, health, field competence, languages, law…
- We aim at 0 accidents.
- Benchmark regarding the environment. The high standard in general, and in specific environmental technologies.
- The diversity in cultures and languages.
- The turnover of the employees is very low. In general, employees remain until retirement, and over several generations.”

Citation from a Lux.Foreigner (R2):
- “There are many great examples in Lux:
- Sport pour Tous: super for integration and avoiding burn-out 😊.
- Jardin communautaire: all together we work on a plot of land. I participate in such a garden in Bonnevoie and it feels just great to see people of all sorts, all origins and all ages work together in order to cultivate bio vegetables or at least try to do so 🙆.
- At school, the kids have all kind of good initiatives: recycling/ sport for good causes/ ...
- I’m of the opinion that Luxembourg manages to keep parties of the ‘Le Pen’ style under control due to the common Luxembourgish language skill. All nationalities easily mix as they speak a common language. When I see how it works out for our kids I’m just amazed and so proud about how they get along with all. In Bonnevoie, we have such a fantastic cultural mix and we manage to live very well together. Putting kids in public school prepares them for the complicated world we live in.
- Big number of playgrounds: people meet and talk to each other while kids play together.
- Investments in sports facilities (i.e. skatepark) great to see that younger people have fun instead of being in front of screens.
- Red Cross (Croix Rouge) shop Bonnevoie: great initiative, the location to bring your used things to.
- Rotondes: fantastic place against a grey society, everybody feels welcome.
- Luxembourg invests in keeping the city clean/ this motivates people to do the same.
- At a very young age schools start to teach children about the importance of recycling and healthy food.
- Initiatives that motivate people to meet. For example, neighbour’s day / thanks to such kinds of initiatives, neighbours communicate.
- Velo’h: great initiative but here we think Luxembourg could do much better. The problem is that it doesn’t always feel safe to cycle in the city. We’re convinced that lots of people could get motivated to take bicycles to work.
- Language courses: promotes integration.
- I take Luxembourgish language courses myself and since I do that, I pass by my neighbour of 80 almost every Thursday to have a chat in Luxembourgish.

- At school, kids get information about the fact that the water that comes out of the tap is of very good quality. Since then they insist on us not drinking still water out of bottles anymore.

- Drugs: the police pass by in school to give explanation about drugs. At a very young age they learn not to touch any needles. Due to this open communication about the problem we will hopefully be able to protect our kids.”

Citation from a Lux.Nat., responsible for water management in Luxembourg (R3):

“The social component: we organize many visits with young people and children, to sensitize them about water: where our water comes from, how to save it, how not to spoil it, how to keep it clean. In collaboration with farmers, to sensitize them, because of pesticides, and fertilizers, and protection of the groundwater, the choice of which plants, and also the decisions by the EU.”

The moderate respondents say:

Citation from a professor (R1): “Sensitivity to the special needs of the cross-border workers (language, labour, legal differences such in taxation, cultural attitudes toward gender, race and national origin) and their working hours and holidays. Also, responsibility to the maintenance of strong and productive EU and respect for the legal differences between the various EU nations.”

Citation from a professor (R2):

“The Big Four are very active in this field.”

The critical respondents say:

This is what a former Plant Director, Lux.Nat. category, had to say (R1):

“Responsible leadership and CSR depend on the economic system: social market economy, capitalistic market economy or communist planned economy, and their mixed systems. Profit maximization is the highest aim of capitalism: satisfying the shareholders! Without any social component, nor social insurance. Profit optimization should be the Leitmotiv of the social market economy. The economy should work with the available means, but with respect for social criteria. This means: Responsible Leadership linked with Social Responsibility: the human being should be in the middle of the economic actions. The question is: is this really so?

In the capitalistic system, Responsible Leadership and CSR cannot be realised, as only money rules the world. Making money is the only objective. Communism would need an extra explanation.

In the social market economy, the social component should be considered, which unfortunately is not always true.
From my own professional experience, in all of my leading positions, the well-being of my employees stood always in the centre of my endeavours. I succeeded in having satisfied employees and a good climate, otherwise I couldn’t have realised the good results. When I meet a former employee today, he says: the best time we had was under you. Today everything is impersonal, I think I realised my objectives of being a responsible leader. Two years after my retirement, the company was shut down.

Change and innovation is needed here.”

Citation from a lawyer (R2):
“idem question above. However, by its generally high standard of wealth, Luxembourg’s corporate entities should more easily be able to allocate budget and human resources to CSR policy than in economically less fortunate countries. On the other hand, that same wealth provides to everyone already much higher social standards of protection like health coverage and unemployment benefits, plus a cleaner environment through more sophisticated and modern technical facilities.”

DISCUSSION
A call for change and innovation is heard out of the contradictory answers given by the respondents of this research. Despite this call for change, the high Uncertainty Avoidance Index seems to prevent any endeavour for much needed change. This change and innovation is needed, according to the critical respondents, to implement the missing responsibility and sustainability. Toxic or irresponsible leaders being too often the reality, the authenticity of the leader is not always positive, on the contrary, sometimes it is negative. As a respondent from the category Lux.Nat. had said in the previous study from 2016: “There are too many irresponsible leaders in Luxembourg.” There is a call for change, to change irresponsible leaders into responsible leaders, to make them learn responsibility, sustainability, and ethics. The question is: how?

Despite the variety in extant literature, the above reprinted interviews give an even deeper view of the current situation of responsible leadership and CSR. However, the amount of data collected in 64 interviews in this study, allows for more discussion and conclusions. Combined with the literature, the variety of answers is so big, one single or unique reply is not possible. The author would even tend to state, the more interviews, the more tendencies. Therefore, supporting Puznan and Miller’s (2006) opinion – let’s see what we are really talking about – the author presents the huge variety of responses, from the euphoric respondent for whom CSR is absolutely fantastic, passing by the more neutral respondent for whom CSR is just normal, until the critical respondent for whom CSR is, let’s say, non-existent. The 64 respondents gave a combination of all of this. Dependent on variables such as industrial sector, cultural origins and dimensions, age, gender, and size of the company. As all of these variables
influence responsible leadership and CSR actions, more sophisticated statistical methods would be needed, and eventually more interviews, to elaborate the influence of each of these variables on the responses. The connection between responsible leadership and CSR in Luxembourg is the authenticity of the leader and his modelling role in lived CSR.

CONCLUSIONS, LIMITATIONS AND FURTHER RESEARCH

"I am a responsible leader" was answered by one respondent when asked who is a responsible leader. The purpose of this research was to explore first, if there is a link between responsible leadership and CSR in Luxembourg, and second, what is typical for Luxembourg. 64 semi-structured interviews were conducted from January to August 2017 in English, French, German, Luxembourgish, and Italian among four culturally different samples, notably: 1) Lux.Nat. (Luxembourgers with Luxembourgish Nationality), 2) Lux.Foreigner (foreigners who reside in Luxembourg), 3) cross-borderers (people who come to work to Luxembourg every day from Germany, France, and Belgium), and 4) the rest of the world (World). Sampling was convenience sampling. The author reviewed the extant literature and reprinted parts of the interviews.

After having reviewed the literature, the author tends to stay with the opinion expressed by Puznan and Miller (2006, p. 68). “CSR, Responsible Leadership, Socially Responsible Investing... Such terms are rapidly becoming part and parcel of the modern management idiom. Some people unreservedly applaud what appears to be an increased focus on and awareness of responsibility in business. Others take a more cynical view. Still others say, 'Before we plunge ahead, let's pause and reflect on what we're really talking about here.' We belong to this third category, even after having contributed to the theoretical and practical development of the concept of CSR for many years.” The author also belongs to this third category, adding that it is not necessarily the leader's values and/or other stakeholders' values and culture and/or the board's vision/mission, as well as the corporation's culture. Finally, external forces such as government, the economy, socio-cultural peculiarities or new technology might have forced leadership to act in this specific way. This is subject for further research.

In conclusion, the author's proposition was confirmed: Luxembourg's linguistic and cultural particularities means that any links between responsible leadership and CSR will not be homogeneous in the country's companies. Therefore, such links will depend on the authenticity of individual leaders or groups of leaders and this, in turn, depends mainly on cultural dimensions and the leader's value system.

Internal change is needed. Internal changes are essential constituents of the internationalization process itself (Welch & Luostarinen, 1988) and changes are complex and intertwined (Lam & White, 1999; Nummela, Loane & Bell, 2006).
Characteristic for Luxembourg, in terms of Hofstede’s cultural dimensions, is high Uncertainty Avoidance (UA), high Long-Term Orientation (LTO), high Collectivism (low Individualism), with a mix of 3 official languages: Luxembourgish, German and French.

The combination of Hofstede’s cultural studies – Uncertainty Avoidance (UAI) – with leadership issues and CSR is innovative and will open the path for further research on cultural and linguistic peculiarities in Luxembourg. Future research is needed to determine the impact of each of these cultural dimensions, CSR and responsible leadership activities on the attractiveness of Luxembourg for leaders, for example in the choice of the country as a destination for expatriate leaders.

This research has also its limitations. This being a qualitative research, a quantitative approach could broaden the outcomes. The interviewed managers were exclusively ‘responsible leaders’ in the eyes of the author. In a previous study from 2016, published in 2017, the author also interviewed ‘irresponsible leaders’, with the aim to compare responsible and irresponsible leadership in Luxembourg (Schinzel, 2017b).

The outlook for the future calls for change and innovation by overcoming the high UAI in Luxembourg. New ways of thinking and acting are needed. Everything begins with observation and the author did this: the observation of the current situation, followed by an analysis of ideas of change and innovation for the future. In some cases, radical change is needed to comply with responsible leadership and CSR theory. Despite high Uncertainty Avoidance, there are time restrictions. Change needs time. Time is an important element. Time runs faster within an entrepreneurial firm than in a large firm or within the State. The level of Uncertainty Avoidance is important, when radical change is needed. The level of uncertainty avoidance is so high and the change needed is radical. On another note: Is it internationalization that provoked the need for change, or is it the change that provoked the internationalization in Luxembourg? The social organization of the firm and time are other factors. Sequencing, timing and social factors cannot be separated and the interaction between them cannot be separated. What comes first is difficult to say. We are talking about human beings. The nature of human beings is fundamentally important in this study. Learning is also part of this process of change. Everything changes. The process is of learning, of change, of innovation. There are changes in the way people learn, and the whole process of learning changes. It is not about ‘being’, but about ‘becoming’.

REFERENCES


A CASE STUDY OF COLLABORATIVE MANAGEMENT APPROACH TO COMMON-POOL RESOURCES MANAGEMENT

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2University of the South Pacific, Solomon Islands
3American University of Sharjah, UAE

ABSTRACT

Some of prior studies posit that a collaborative management approach is the most suitable way to manage common-pool resources, including tuna resources, because it engages those who use the resources in the management process. Unfortunately, the approach has not been found effective in managing migratory tuna resources of the Western Central Pacific Ocean. Taking a case study approach, we investigated the collaborative management approach model taken by Western Central Pacific Ocean Commission and identified the root causes of the key issues in managing the resources. This study contributes to a better understanding of issues in managing common-pool resources, which may help policy-makers develop effective strategies for the sustainable management of the resources.

Keywords: Common-pool resources, collaborative management approach, tuna resources, Western Central Pacific Ocean

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INTRODUCTION

Studies show that the world’s fisheries as a common-pool resource are threatened by overharvesting and are facing serious challenges of depletion (e.g. Costello et al. 2016). The culmination of the several factors such as: increased fishing activities, increased vessels’ capacities, improved fishing efficiency compounded with high rate of illegally, unreported and unregulated (IUU) fishing activities, have attributed to the overharvesting and depletion (ABC, 2016, WCPFC, 2016). Additionally, fishing in closed areas, violations of fishing licence rules, illegal discards (dumping untargeted species overboard), and misreporting of catch have all resulted in virtual extinction of certain tuna species,
plundering of the fisheries, and loss of revenue for the Pacific Island countries1 (PICs) (MRAG, 2016). The Marine Resources Assessment Group’s Report, based on data obtained from 2010 – 2015, indicates that between 276,500 mt and 338,400 mt of tuna were caught through IUU fishing activities over the past six years. This has contributed to a loss in revenue to PICs of USD 123 million per year (MRAG, 2016).

The problems compel policy advocates, scholars, and others to search for effective solutions. In the Western and Central Pacific Ocean (WCPO)2, regional fisheries management organizations (RFMOs) and coastal states are struggling to manage their tuna resources (ABC, 2016). The WCPO is the only ocean region that still has tuna stocks. However, the Western and Central Pacific Fisheries Commission (WCPFC), is facing difficulties in managing the divergent interests of its members over tuna fisheries. The region witnesses the depletion of species such as big eye and blue fin tuna, and overharvesting of the other species (ABC, 2016). The problem raises the question about the collaborative management approach (CMA) taken by the WCPFC.

Collaborative management approach (CMA) is generally defined as a working practice whereby individuals work together for a common purpose (Ansell and Gash, 2007). The basic principle of CMA, based on the study of Colebatch and Larmour (1993), are that members behave according to their group’s norms and take collective actions to achieve their goals. It operates within the framework of the attributes: partnership, cooperation, participation, shared interests, collective responsibilities, mutual trust, social capital and consensus based decisions (Marttunen and Hämäläinen, 2008). Earlier studies on the management of common pool resources (CPRs) have asserted that CMA is most suitable to CPRs (such as fisheries, rivers, minerals, meadows, forestry, etc.) including tuna resources because it involves those who use the resources in the management process (e.g. Acheson, 2013, Hauzer et al., 2013). One of the main advantages for involving the resource users is that every member takes part in the decision making process which, in turn, instils a sense of ownership among the users, and motivates them to use the resources more responsibly (Ostrom, 2015). Fulton (2011) asserted that one of the key components for the successful management of fisheries is the inclusion of stakeholders in the management process known as “participatory management” (p.10). In terms of the WCPFC, such a management approach involves 26 member countries, cooperating non-members, participating territories and stakeholders such as non-government organizations (NGOs), fishing industries, RFMOs and sub-RFMOs, making it a potentially complex management structure.

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1 Pacific island countries (PICs), commonly known as small islands developing states, have limited land landmass (with the exception of Papua New Guinea), with few natural resources, but they control the largest ocean area in the world.

2 This is the region stretching from Indonesia and the Philippines in the west, to Hawaii, Kiribati and French Polynesia in the east, and from the southern oceans at 55 degrees south to the waters of the Arctic in the north.
While CMA may work well with the management of some of traditional coastal fisheries in Pacific Islands, known as community based fisheries management (Moses, 2016), the effectiveness of the approach elsewhere involving regional and international actors such as the WCPFC remains questionable (Hanich and Tsamenyi, 2014, Norris, 2015). This study therefore seeks to examine the factors influencing the outcomes of the CMA and explore the root causes for the failure of WCPFC in managing tuna fisheries in WCPO. The study has practical implications for managing other common-pool resources.

LITERATURE REVIEW

This literature review focuses on the (perceived or realised) benefits and outcomes of CMA, and the factors influencing CMA outcomes. We conducted a comprehensive and structured literature review on the topic areas. Most of the reviewed articles were published in leading scholarly journals, being peer reviewed and recorded most citations. The majority of journals reviewed were published between the years 2000 to 2015 to capture a reasonably current state of understanding on the topical areas. However, other journal articles published three to five decades ago have also been reviewed. Indeed, many of the earlier authors were eminent in this field, for example Elinor Ostrom was the joint Nobel Prize winner in 2009 in Economic Science (Anderies and Janssen, 2012), as well as others including Hofstede, Axelrod, and Nash. These same authors turn up as references in many of the more recent articles on the topic.

The major databases used to search the articles for the review include Pro-Quest, EbscoHost, Emerald, AQORA and JSTOR. These databases provide a balance of conceptual and empirical account in the areas of study. The key search words were selected based on their importance in the study field, including management of CPRs, collaborative management, co-management and common-property rights; collective action, and community based fisheries management (CBFM). Most of these terms were used interchangeably because they have similar meanings as they operate on the same management principles within the framework of partnership, cooperation, shared interests, collective responsibilities, mutual trust, and consensus based decisions. The search criteria included (1) articles were published between 2000 and 2015; (2) articles must have at least 50 citations; (3) articles must be peer reviewed; and (4) articles must be related to the management of CPRs. The number of articles analysed was also determined by the timeframe given to carry out the study, and the point of saturation reached from the information gathered (Kirriemuir and McFarlane, 2004). As a result, a total of 68 publications were selected for this review. Table 1 presents a brief summary of the basic features of the publications.
### Table 1. Summary of basic features of the articles (N=68) reviewed

<table>
<thead>
<tr>
<th>Year (&amp; No.) of publication</th>
<th>Type of study</th>
<th>Methodology</th>
<th>Geography</th>
<th>Main aspect of CMA studied</th>
<th>CPR*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>Empirical</td>
<td>Quantitative</td>
<td>Central America</td>
<td>Structures</td>
<td>6</td>
</tr>
<tr>
<td>1990s</td>
<td>Conceptual</td>
<td>Qualitative</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980s</td>
<td>Mixed method</td>
<td></td>
<td>South America</td>
<td>Efficiency</td>
<td>4</td>
</tr>
<tr>
<td>1970s</td>
<td>Ethnographic</td>
<td></td>
<td>Europe</td>
<td>Outcomes &amp; Results</td>
<td>10</td>
</tr>
<tr>
<td>1960s</td>
<td>Experimental</td>
<td></td>
<td>Asia</td>
<td>CMA Theories</td>
<td>3</td>
</tr>
<tr>
<td>1950s</td>
<td>Conceptual</td>
<td></td>
<td>Africa</td>
<td>Unspecified</td>
<td>35</td>
</tr>
</tbody>
</table>

*Note: Common-pool resources (CPRs): natural resources refers to forests, wildlife, ponds, rivers, and minerals; fisheries onshore refers to fisheries on the coast; fisheries offshore refers to fish in the deep ocean far from the coast (mostly pelagic, or migratory species); and agriculture refers to irrigation systems and pastures.

Given the purpose of this study, we present a brief summary of the findings of our literature review as follows.

**Benefits of Collaborative Management Approach**

Our literature review finds that collaborative management approach (CMA) has both perceived benefits (e.g. Heikkila and Gerlak, 2005; Berkes, 2009) and realized benefits (e.g. Cheng and Sturtvant, 2012) in the management of CPRs. Research shows that CMA can offer a number of benefits such as: (1) common goal – group members share similar aims or desired results; (2) prevents conflicts by helping members to interact and solve their differences (Sa-Ngiamlak et al., 2011); (3) social learning – it enables group members to learn from each other’s needs, perspectives and positions and thus promotes greater knowledge and understanding among members (Marttunen and Hämalläinen, 2008, Richie et al., 2012); (4) better relationship – it improves members’ relationships and cultivates partnership; (5) mutual trust – it increases trust among members (Bruckmeier and Larsen, 2008, Caldwell et al., 2009); (6) participatory decision makings - all the stakeholders are involved in the decisions, and the decisions are often made through consensus. Hence, a group tends to take ownership of the collective decisions, increasing their commitment to their objectives; (7) integrated management – members share resources and responsibilities, which enhances unity by bringing together different groups under a single framework (Olaru et al., 2014, Munoz-Erickson et al., 2010); (8) mutual respect – it fosters respect among
members (Richie et al., 2012); (9) collective benefits – all stakeholders benefit from the outcomes (Espinoza-Tenorio et al., 2012).

**Outcomes of Collaborative Management Approach**

Although the majority of the literature that we reviewed has asserted the effectiveness of CMA in terms of the efficiency and equity in managing CPRs, scholars such as Agrawal (2003), and Grafton et al. (2006) amongst others have reported some negative results in their research findings in terms of cooperation towards the sustainability of CPRs. We find that out of the 10 empirical studies reviewed with a focus on the outcomes of CMA, about 40 percent of them, mostly in America, USA, Africa and Europe reported a negative outcome, due to various factors (to be discussed in the next section). Despite the negative outcomes, the majority of scholars are optimistic that the weaknesses can be addressed, and have suggested ways for improvements. Moreover, most of them indicate that CMA is ideal for CPRs (e.g. Mutimukuru, 2010, Boateng, 2006). Reynard (2002) and Masomera (2002) have argued that there is no one-size fits all approach, and the optimum management structure and approach must be context-based.

**Factors influencing Collaborative Management Approach Outcomes**

Our literature review finds that for a CMA to be successful in managing CPRs it has to meet certain favourable conditions including (i) equal power distribution among members, (ii) strong common interest (iii) certain cultural orientations (predominantly communalism, femininity and long-term orientations), (iv) fair endowment, (v) high-level of cooperation; (vi) strong leadership style, (vii) low to moderate transaction costs, (viii) incentives, (ix) clarity of rules, (x) small size groups (rather than large ones) and (xi) self-enforcement compounded with external enforcement. In terms of power distribution, Gallardo et al. (2013) argues that CMA does not guarantee a uniform egalitarian partnership in practice. There are different sources of power held by individuals within a CMA group. The two highlighted by scholars of most relevance to this study are political and economic powers (Acheson, 2013; Davis and Ruddle, 2012). Another factor that influences CMA outcomes is self-interest vs common interest (e.g. Acheson, 2013). CMA is intended to achieve organisational objectives and to benefit all members collectively. However, this may not occur if most members tend to value their own interests above the group’s interests and opt for personal benefit once they see the opportunity, or if the group benefit is less than the individual one (Colebatch and Larmour, 1993). *Cultural orientations* have been found influencing the outcomes of CMA (e.g. Jentoft and Chuenpagdee, 2009, Pinel, 2013). Human behaviors are pre-dominantly influenced by cultures (norms, beliefs and values) (Hofstede et al. 1991). Mansbridge (1990, p.64), noted that “… not all cultures promote the same behaviour …” which can be
very challenging in international and regional institutions where members have different cultural values and orientations. In terms of endowment, if members endow their financial contributions to an association such as WPCFC, they tend to take more ownership, increase loyalty and commitment to the objectives of the organization. This is because they have invested their money into the organization (Ostrom, 1999). Managing highly migratory CPRs such as tuna fisheries in an open-access or free-for-all area requires strong cooperation among member countries, fishing industries and stakeholders. Hence, the level of cooperation is found to affect the outcomes of CMA (McGuire, 2006). Leadership is found to affect the outcomes of CMA in CPRs management (e.g. Cheng and Sturtevant, 2012). For example, a participatory approach taken by a leader is important in matters such as decision-making, the enactment of laws, the development of policies, and by listening to the views of members and helping them come up with sound decisions (e.g. Marttunen and Hämäläinen, 2008). Transaction cost is found to be another factor influencing the outcomes of CMA (e.g. Dyer, 1997). In the context of tuna fisheries in WCPO, the transaction costs can be the costs involved in trying to comply with the conservation management measures. Incentive is found to influence positively CMA outcomes and have been used as a tool to encourage compliance with rules in the appropriation of CPRs (e.g. Hanich et al., 2015). In the context of CPRs, rules are normally set by members of a group (communities) that use or harvest the resources. Studies show that the enactment depends on the clarity of the rules (e.g. Xepapadeas, 2005). The size of group is also found to affect the outcomes of CMA. Olson (2009) argues that the larger the group the less it will further its common interest. CMA outcomes can also be influenced by the effectiveness of the monitoring and enforcement of rules. Studies show that monitoring and enforcements of rules on CPRs are often problematic due to lack of resources, under capacity, and no follow-up (e.g. Reaves and Bauer, 2012).

The prior research discussed above about collaborative management approach in managing common-pool resources is informative and serves as a framework for our study. However, we also identify some research gaps from the literature review.

**Major research gaps**

This section discusses the major knowledge gaps. As showed in Table 1, the majority of the studies have been originated from North America (33), Europe (12) and Asia (11). Only two studies tackle the issues in the Pacific region, and these involve Australia and New Zealand only. However, the majority of countries in the Pacific region are small Pacific Island countries (PICs). None of the studies we reviewed touches on the issues in the context of the PICs. We argue that the context of studies places an important role to the conclusions of research findings and the generalisation of new knowledge or theory. Factors such as beliefs, attitude, socio-cultural, economics, and political environments play a key role in
influencing how societies (or communities) behave and interpret their situations (Podsakoff et al., 2012). Furthermore, most of the literature available examines the management of natural resources and coastal fisheries. These are the CPRs that are localised in a single geographical area shared by a community within that vicinity. However, none of the studies discusses migratory CPRs such as tuna fisheries which are managed by countries from a region and distant water fishing nations (DWFNs). The management of migratory CPRs presents a serious challenge as it involves different sovereign states. It also involves different actors with different level of powers (e.g. Coastal States and DWFNs) that are subject to different sovereign laws and national interests. These are the dynamics that are inadequately taken on board in prior studies, arguably leading to another knowledge gap. We seek to address the knowledge gaps while taking into account what has been done in the prior studies and their findings on the topic area.

METHODS

Case study design
This study follows a case study design as it is the preferred strategy when how or why questions are being investigated (Yin, 1994). A case study is useful when in-depth explanations of social behaviour are sought (Zainal, 2007) and when examination of data is conducted within the context of its use (Yin, 1994). We selected the WCPFC as a unit of analysis and investigated how it managed tuna resources – a CPR in the Western Central Pacific Ocean and the root causes for failing to do so. We selected WCPFC as a case organization because the WCPFC serves as a classic example of using CMA in managing CPRs at both regional and international levels and the findings of this study should have wider implications for the studies of CPR management.

The WCPFC was established in 2004, principally to manage tuna stocks in the high seas. It consists of 26 member countries: mostly the Pacific Islands Forum members (PIFs) including Australia, New Zealand and 14 PICs, and Distant Water Fishing Nations (DWFNs) including Canada, USA, EU, China, Chinese Taipei, Republic of Korea and coastal states such as Indonesia and the Philippines. The WCPFC is intended to operate under a legally binding framework founded on collaborative principles based on collective responsibility and collective benefits (WCPFC, 2013).

Data collection and analysis
We conducted semi-structured and face-to-face interviews to collect interviewees’ insights into the CMA practices in the WCPFC, the outcomes, and factors influencing the outcomes. Offshore tuna fisheries in the WCPFC is a sensitive issue, with government representatives from member countries hesitant to reveal information about their governments’ position or their opinions. Using face-to-face
interviews offers the opportunity to break the barrier because on most occasions discussions begin on the surface of the subject and then develop further into the core of the issue once trust is developed (Holbrook et al., 2003). The key questions that we asked include:

- How is the collaborative management approach used by the WCPFC to manage tuna resources in the region?
- What do you think are the main factors that have attributed to the rapid decline of tuna resources in the region?

Using a purposive sampling technique, we selected the potential participants in our interviews, targeting at the key senior fisheries officers representing the 26 member countries of WCPFC. Most of them hold important responsibilities in their countries such as CEOs, directors, deputy directors, permanent secretaries, and senior fisheries officers, and who were usually the gatekeepers holding most of the management information about the tuna fisheries. In an attempt to gain comprehensive insight into the WCPFC’s CMA issues, we also sought cross sectional viewpoints from potential informants holding different responsibilities. For example, officials who were engaged in monitoring, control, and surveillance (MCS) of the tuna fisheries were also interviewed. Likewise, we also interviewed representatives of fishing industries, scientists, and NGOs. As a result, we interviewed a total of 40 key informants. (All interviewees requested anonymity prior to the interviews, therefore as part of keeping that confidentiality, we are unable to provide further demographic data about the participants in our interviews). The interviews took between 30 minutes to 1 hour depending on the availability of the interviewees. All the interviews were recorded after obtaining the consent from the interviewees. English was used in all the interviews.

We used NVIVO software to help analyse our interview data by classifying, sorting and arranging information gathered into their respective themes. It also helped in concept-mapping to examine the relationship between concepts. We used a thematic data analysis to identify and categorize themes. The following section presents our analysis and discussion of the findings.

**FINDINGS AND DISCUSSION**

**Failure of CMA of WCPFC**

Prompted by the recommendation of the United Nations Convention on the Law of the Sea (UNCLOS, 1982), the WCPFC was established to implement a collaborative management approach (CMA) to manage the tuna resources of the Western Central Pacific Ocean. However, the tuna resources in the region have been declining and some of the species are facing extinction, which sends a serious warning that the whole tuna fisheries in the region could be depleted in the not too distant future (ABC, 2016). Increased fishing activities, increased vessel capacities, improved fishing efficiency compounded with high rate
of illegally, unreported and unregulated (IUU) fishing activities, have culminated in overharvesting of the tuna fisheries. IUU fishing activities have led to overharvesting, virtual extinction of certain tuna species, plundering of the fisheries, and loss of revenue for PICs (MRAG, 2016).

There was a consensus among the participants in our interviews that WCPFC was not able to stop the overharvesting and its CMA model was not working. It is obvious that the potential benefits of CMA found in prior studies were not realized in the case of WCPFC. There were many causes for the failure.

**Main causes for the failure**

As discussed in our literature review section, prior studies have identified eleven factors that may influence the outcomes of CMA, including equality of power, self-interest, cooperation, endowment, cultural diversity, leadership, transaction costs, incentives, clarity of rules, size of the group, and enforcement. We draw on the prior studies to guide our analysis and frame our discussion below. Given the space of this paper, we limit our discussions to the most important causes for the failure identified through our interviews.

**Power inequality and different powers**

One of the conditions agreed by members of WCPFC prior to its establishment (in 2004) was that power must to be equally shared among the members to ensure a consensus-based decision making process. However, the majority of the participants that we interviewed indicated that WCPFC members did not have equally shared power. A representative of a sub-regional country interviewed stated:

….Yeah there is a big power inequality but it cuts both ways. The smallest countries on earth are dealing with the most powerful, economic thugs, they use their markets, their aid and other instruments, they can intimidate PICs. However, another source of power is that these fish occur in the waters of developing countries, 90% of the catch is taken either in the waters of PICs or in Indonesia, Philippines or in the waters adjacent to those countries. That gives a very great power to the PICs. This WCPFC is about that balance of power on one hand, PICs with their power of ownership and right of the resources, and on the other hand the economic and political powers of the DWFNs. That’s the game.

We found from our interviews that the DWFNs had economic and political powers while PICs owned the tuna fisheries. WCPFC members used their different powers to pursue their national and sub-regional interests. This caused them to bargain, or veto any genuine proposed conservation management measures. As a result, the CMA of WCPFC lost in the power struggles.

*Competing interests*

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The evidence obtained from our interviews indicated that self-interest was dominant among the practices of WCPFC members, although members understood the importance of common-interest (i.e., interest for conservation and sustainability of tuna fisheries). Two participants put it this way:

The work of the WCPFC is extremely difficult because of the divergent interests among the members. This makes negotiations very difficult.

Well, when conservation management measures are not agreed or when there is no decision on the issues, this certainly means there is a difference in interest... I think from a DWFNs perspective, they will continue fishing, continue having their businesses alive, but from a coastal state’s perspective it’s a matter of sustaining that resource to ensure that there is a maximum economic return, so whether it be excess fees or whatever value added. Therefore, I would say perhaps the common goal would be to have sustainable fishery, there would be differences on what would be the economic returns, what it mean to those different perspectives.

We found that the DWFNs wanted to gain the maximum benefits from the fishery resources, while PICs felt that they did not receive fair shares and were proposing an increase in the resource rent, which did not go down well with DWFNs. One of the participants told us ‘almost four billion dollars’ worth of fish was harvested in Pacific waters in 2013, but not even one-fifth of that value was returned to the region (the PICs).’ Thus, the main issue here was the unequal share of benefits received from the tuna resources among the WCPFC members. Therefore, we consider that the disagreement and competing interests of the members affected negatively the outcomes of WCPFC’s CMA.

**Cultural differences**

The WCPFC member states have diverse cultures, which was seen negatively affecting the outcomes of CMA in WCPFC. For example, one of the participants commented:

Cultural differences actually hinder a lot of things... on how we manage this resource [tuna fisheries]. You take for example, Pacific Islanders, have to listen to chiefs when it comes to talking in meetings, they can’t talk even if they know the subject. However, there are other parties that do not possess the culture of being obedient; they make a lot of noise in the meetings when they talk. That sort of cultural thing has seeped into this management and has worked against us too.

The comment indicated that the presence of power distance influenced the behaviour of members during their meetings. Drawing on Hofstede’s culture research, countries that are high in power distance tend to be submissive. This is prominent with PICs that have high respect for chiefs, leaders and their early colonial powers (e.g. USA, EU, and Britain). They viewed these people on the hierarchy end of society. Thus, they tended to keep quiet in decision-making process. In contrast, those members (e.g. Australians and New Zealanders) who came from low power distance culture freely debated issues.
that concerned them. Our interview findings also indicated another distinct cultural difference – individualism and collectivism that hindered the way that member countries managed tuna resources and the CMA was enacted. For example, an official we interviewed told us:

*We, in the Pacific, are more communal in our approach, we love our community-based management. The Western world looks at things differently, they do their own things and do not mind others’ businesses. I think the perception that DWFNs have, will also affect the way we manage our resources collaboratively. They look at their own survivability, the economical viability, etc. Yes, I think our upbringings do have an impact on the way we manage our resources collaboratively.*

The remarks showed that different cultural orientations affected the behaviour of member countries and collaboration within WCPFC that may cause the fallout of CMA.

**Lack of self-enforcement**

Our interviews found that most participants believed based on their past experience with WCPFC that self-enforcement was not a viable mechanism to manage migratory tuna resources. Here are some of the comments made by the participants:

*I don’t think voluntary compliance will happen because fishing industry is based on profit, so I do not think voluntary compliance will be possible.*

*…it is and will be difficult for the DWFNs to participate co-productively in this approach [self-enforcement] because they have different interests. They are more interested in making money. So we still need observers to oversee their activities and to increase the capacities of external monitoring and surveillance.*

*When we talk about offshore resources, we refer to migratory species that trans-boundaries, it is very difficult (to apply self-enforcement) because they are highly migratory. The key to managing such resources is monitoring and surveillance, if people feel that they own the resources or part of them.*

The above comments imply that self-enforcement will not work for organisations (or multi-organisations) that pursue self-interest or profit making (Colebatch and Larmour 1993). From our interviews, we can see that it is difficult for self-enforcement to work in commercial fisheries and in a heterogeneous coalition where members have divergent and competing interests. The self-enforcement is also not viable in open-access areas such as the high seas where ownership is often disputed on the fishing ground.
Size of WCPFC

In our interviews when talking about the size of the WCPFC, there was a consensus that WCPFC was such a large and diverse group, making it difficult for them to agree on conservation management measures, resulting in not being able to achieve WCPFC’s conservation goals.

...as members get bigger, it gets complicated and the interests get wider, and some of these interests are finding other forums to creep into this WCPFC, so yes the size as it is now makes it more complicated than it was initially set-up.

Well in terms of group dynamics [in the WCPFC], bigger groups are very hard to manage because the bigger the group, possibly the more interests in it. The bigger the group that would be hard to make decisions, the smaller possibly manageable would be good, we can identify who are the key stakeholders in the fisheries would be good because they play a major role in the fisheries.

The WCPFC is made up of DWFNs and PICs who are heterogeneous, representing fishers and the resource owners. Our interview data show that members in such a large and heterogeneous group had considerable difficulty to reach consensus, such as in the conversation management measures. Members often had different and conflicting intentions and interests. For the DWFNs, they would prefer to continue with the existing financial benefits gained from the tuna resources while PICs wanted somewhat equal share of the cake (benefit) being the resource owners. In addition, the differences in the level of power among the members and different cultures affected their level of cooperation and consequently the outcomes of the CMA adopted by WCPFC. Furthermore, the differences among the members affected trust among them in that PICs did not think DWFNs or fishers can self-enforce due to increasing IUU fishing activities in the region (MRAG, 2016).

CONTRIBUTIONS OF THIS STUDY

This study advances the existing literature and understanding of common pool resources management in general, and migratory tuna resources management in particular. Tuna migrate from one national boundary to another within the Western Central Pacific Ocean and are mostly fished by DWFNs. By studying the WCPFC comprising of the PICs and DWFNs, this research extends the understanding of the management of CPRs from one single geographical area to multiple geographical areas, and includes the analysis of the motivations and conducts of international actors. This study also contributes to the extant research of collaborative management approach by exploring empirically the key factors
that affect the outcomes of CMA through a case study. The findings from this study should contribute to future theoretical development of a new model to advance common-pool resource management research.

In addition to the contribution to extant body of knowledge, our study makes practical contributions because tuna resources in the WCPO are vital to the economy and the sustainable development of the region. Compared to other ocean regions, WCPO supplied more than 50 percent of the tuna resources to the global markets (World Bank, 2016). The findings of this study are expected to inform policymakers in the WCPO region about the key issues that the current management approach (CMA) has raised and help them develop policies and strategies to address the issues.

CONCLUSIONS

Earlier studies have asserted that the use of CMAs is the most suitable way to manage CPRs such as tuna fisheries and resources (e.g. Acheson 2013; Huezer et al. 2012). However, our research has shown that the CMA does not appear to instil the sense of ownership among WCPFC members that is needed to encourage and develop sustainability and collective benefits of the fisheries, as argued by scholars such as Acheson (2013); Huezer et al. (2012). Our research demonstrates that a CMA is not necessarily effective for groups (that includes stakeholders, multi-governments, and multi-national organisations) that are highly heterogeneous, especially those that involve international actors (cross-country and cross-cultural), such as a combination of developed, developing and least developed countries. Their significant differences, competing interests, and different economical aspirations appear often to lead them to base their decisions at the expense of collective objectives and collaborative institutions. The findings of our research lead to a conclusion that it would be difficult for the WCPFC in its current form to be an effective institution capable of managing and sustaining the tuna fisheries in the WCPF region. Consequently, the problem of overfishing will continue and, regrettably, the depletion of tuna species is likely to continue.

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BOOK OF CONFERENCE ABSTRACTS
ENTREPRENEURIAL OPPORTUNITY RECOGNITION IN THE CONTEXT OF ENTREPRENEURIAL UNIVERSITIES

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ABSTRACT

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RESEARCH AIM

This study aims at exploring how entrepreneurial opportunities are recognized in the universities who are the winners of the Times Higher Education (THE) Entrepreneurial University of the Year Award (2008-2016).

LITERATURE REVIEW

Shane and Venkataraman (2000) argue that the researchers of organization field are interested in three questions regarding entrepreneurship phenomenon. Those questions are related to “Why”, “When” and “How” questions for three areas: recognizing opportunities for producing products and services, the ability of certain people, but not other, to recognize and exploit opportunities and using different ways for exploiting entrepreneurial opportunities.

In this context, Siegel and Renko (2012) argue that only vague answers can be provided to the questions related to when, who and how opportunities can be recognized. This is because of the different ontologies of the opportunity itself as well as the lack of agreement on what constitutes opportunity recognition. Therefore, Renko argued in (2008) that entrepreneurial opportunity recognition is the area by which cohesion has not been attained yet because of the diversity of, or even kind of contradictory, definitions related to nature of this type of opportunities. The authors of the present paper claim that the case of non-integrated cohesion of entrepreneurial opportunity recognition still exists for the same reasons mentioned above. This motivates the authors of the present study to dig more into the entrepreneurship field to obtain a profound understanding for opportunity recognition phenomenon. This will be done through focusing on the factors that determine opportunity recognition process.
Reviewing the relevant literature shows that there is a large number of the aforementioned factors; however, six of them have received the greatest attention by the entrepreneurship scholars. Those factors are prior knowledge, social networks, alertness, creativity, systematic search and environmental changes.

**METHODOLOGICAL CONSIDERATION**

The present study is a qualitative. Multiple case study approach has been chosen to be the research strategy for this qualitative study. To apply this strategy, two methods have been used to collect the data: documented secondary data and semi-structured in-depth interviews with directors of entrepreneurship centres and Deans in those UK universities who have been winners of the THE Entrepreneurial University of the Year Award. Twenty-four interviews have been conducted. Each interview lasted approximately between 45-95 minutes.

**MAIN FINDINGS**

The data collected from the five universities under study, both the interviews and documents, have been analysed by employing Template Analysis technique. The main findings of this study are summarized in Figure One.

1. Networking
   1.1 Internal networking
   1.2 External networking
      1.2.1 Networking with government
      1.2.1 Networking with industry
      1.2.3 Networking with other universities
2. Prior knowledge and experience
   2.1 Experience
   2.2 Prior knowledge
      2.2.1 Knowledge about how to run business (Business knowledge)
      2.2.2 Enterprise and entrepreneurial knowledge
      2.2.3 Knowledge about industry
      2.2.4 Knowledge about students
3. Entrepreneurial alertness
   3.1 Being aware of opportunities overlooked by others
   3.2 Distinguishing between value creation and non-value creation opportunities
3.3 Finding connection between unrelated information/ areas

4. Creativity
   4.1 Being different
   4.2 Teamwork
   4.3 Feelings and emotions
   4.4 Continue supporting creativity

5. Systematic search vs serendipitously discovered
   5.1 Systematic search
      5.1.1 Continuous search for opportunities
      5.1.2 Market research
   5.2 Serendipitously discovered
   5.3 Both systematic search and serendipitously discovered

6. External environmental changes
   6.1 Respond to the external environmental factors (competition, political factors, technological advances, societal factors and globalization)
   6.2 Being fast
   6.3 Being proactive
   6.4 Risk taking
   6.5 Meeting people’s needs
   6.6 Horizon scanning

Figure 1. final version template.

The answers of the interviewees show that there are interactions between some of the factors listed in Figure One. This is in line with a number of the studies (e.g. Ardichvili et al., 2003, Zaheer and Zaheer, 1997, Hisrich et al., 2013, Ozgen and Baron, 2007, Barringer and Ireland, 2016, Shepherd and DeTienne, 2005, Ardichvili and Cardozo, 2000). Having such interactions will help in finding a mix of resources and capabilities required for enhancing the above-mentioned factors. This, in return, can highly contribute to facilitate the process of opportunity recognition in the universities under study. Such a mix may differ from organization to another and it may differ in the same organization during different times which the organization goes through.

Keywords: entrepreneurship, entrepreneurial opportunity recognition process, entrepreneurial university, Times Higher Education.

REFERENCE


PARTICIPANT CENTRED LEARNING IN MANAGEMENT EDUCATION: THE CASE FOR LEARNING IN TURKEY

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ABSTRACT

Current research into participant centred learning (PCL) has identified that management education is often criticized for being "repositories of multiple frameworks that are not tightly integrated and are aging rapidly" (Mahoney & McGahan, 2007, p. 86). Others have voiced concerns with regard to the lack of effectiveness of strategic management education (Jarzabkowski & Kaplan, 2015; Porter & McKibbin, 1988; Mintzberg & Gosling, 2002). This has led to increasingly frequent calls for more relevant and practically applicable management education (e.g., Bower, 2008; Mintzberg, 2004; Greiner, Bhambri & Cummings, 2003; Rynes, Bartunek & Daft, 2001; Starkey & Madan, 2001). Furthermore, teaching and learning approaches that might work in one educational context may be far more problematic in other contexts (Catalo, Antheaume & Howayda, 2015) and so knowledge transfer has to take the local context into account.

Whilst there is a growing bank of knowledge in the field of the use of case methodologies in management education in Turkey, the aim of this research have been to identify opportunities and barriers to learning in this particular geographical and cultural context. According to the Turkish Ministry of Development 10th Development Plan (2014-2018), one of the main goals of the education system must be to raise individuals with a sense of entrepreneurship and innovation. The plan further suggests that the harmony between the education system and the labour market will be enhanced by equipping people with skills and competences with a lifelong learning perspective by internalizing the entrepreneurship culture. This culture is to be developed by programmes at all levels of the education system to enhance the quality of existing entrepreneurship programs. Many support programmes for business managers and entrepreneurs exist in Turkey, including various modes of managerial training. However, these programmes primarily focus on teaching actual or potential entrepreneurs the functional areas of business, be it marketing, finance, or strategy, without exactly customizing the topics to the entrepreneur’s own situation. PCL methods allow the entrepreneur and/or future business managers to learn and investigate within their own context, making the learning more relevant and directly applicable than general theoretical principles. Hence the students’ capability of “learning to learn” is enhanced, promoting chances of future organisational survival. This aspect of PCL makes it a
valuable addition to curriculum development, tools of delivery, and adult learning research and applications developed within Faculties of Education in Turkey. This study presents the results of a study of a convenience sample of over 200 Turkish academics and graduate students who have participated in one or more workshops on teaching with case studies or writing case studies, conducted across Turkey over the time period of February 2016 to November 2017. These higher education scholars represent business schools, university-based technoparks, and other related institutions having a desire to develop their PCL methodologies, totalling about 80 organizations located across all regions of Turkey. The data were collected through an online survey that was announced after each workshop, so the data collection was fully voluntary. The survey included both open and closed questions to provide data to determine potential trends in the adoption and adaptation of the case method in management education, and the barriers and resistors to change, in contrast to more traditional methods of classroom delivery. According to the preliminary results, some of the key positive attributes of the case method in the Turkish classroom as depicted by the qualitative answers to the survey include:

− The dynamism that cases bring to courses, both for students and instructors
− Making clear links between theory and practice
− The opportunities to ‘jump into the shoes’ of the entrepreneur or the professional
− Its capacity for practice based learning
− The opportunities provided to solve real life problems
− Contribution to analytical thinking
− Enhancing decision making skills
− Promoting and fostering interest and participation in the class

However, some of the most frequently noted barriers to case development in Turkey include:

− They push students to adopt in-depth analytically approaches which are often unfamiliar to the learner
− Difficulties in establishing the collaborative links with firms from which to extract case data
− Lack of experience – on the part of both students and teachers
− There are very limited good cases which focus on Turkey
− Lack of willingness of students to prepare for a case discussion prior to the class
− Students tend to prefer a more directed approach.

The findings demonstrate that there are significant pockets of research in Turkey that are already exploring some of these concepts and methodologies. However, this research also notes a reticence for change in management education, and an unwillingness on the part of the student and the tutor, to
embrace the principles of PCL in the classroom, citing longstanding cultural traditions of directive learning that continue to provide barriers to the adoption of more PCL-type approaches.

Future work will entail building on the exploratory phase of the study to generate theoretical foundations of effective classroom usage of the case study method in management and entrepreneurship education for the Turkish context. The cultural factor in the Turkish education system that encourages a controlled ‘spoonfeeding’ approach to teaching may be in part due to the power distance in the Turkish society (students versus instructors), and also the cultural tendency towards uncertainty avoidance. In order to tackle such deep set issues, one can conduct a series of experiments in classroom settings in order to identify whether teaching style, salience of the case topic to the audience, group versus individual work, prior preparation, length and type of case study, etc. would aid in overcoming the inertia and resistance towards the case study approach that may be faced in a typical Turkish classroom setting. The next steps of the study aim to lead to testable hypotheses regarding various dimensions of effective teaching and learning with the case study approach toward PCL for future and present managers and entrepreneurs in Turkey.

Keywords: participant centred learning, case method, higher education, Turkey

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SHARED SERVICE CENTRE IN ACCOUNTING IN MEDIUM-SIZED COMPANIES: A QUALITATIVE EMPIRICAL STUDY

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ABSTRACT

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FUNDAMENTALS AND RESEARCH QUESTION

The basic idea of shared service centres is to bundle corporate group functions like accounting, IT or HR mainly in order to achieve efficiency and quality improvements goals. Because of different content-related designs, there is no single understanding of this term (Sterzenbach, 2010).

Out of literature review Schulz and Brenner (2010) summarize the characteristics associated with shared service centres: consolidation and standardization of processes within the group, delivery of support processes, cost cutting, focus on internal customers, alignment with external customers, separated organizational unit and operation like a business (e.g. outsourced company or profit centre). Basically, four potential implementation target dimensions can be distinguished (Bader, 2008; Kagelmann, 2001; Weber et al., 2012): financial, process-related, employee-related and customer-related. A big number of large companies worldwide have profited from the benefits derived from shared service centers during the last decades. According to the study of Reimann and Möller (2013), 74% of the 102 companies with the highest turnover in Germany, Austria and Switzerland run a shared service centre. Due to its success, this approach has been also gaining increasing attention within medium-sized companies, which steadily start to implement shared service centres (SSC). As the study of Reimann and Wolff (2014) shows, 53% of 121 respondent mid-sized companies in Germany already run a SSC. Another 7% of this sample plans to introduce one in the future. Despite of the increasing attention in medium-sized companies, there is only one study that scrutinized SSC for medium-sized companies (Reimann and Wolff, 2014). The focus of this study was the degree of implementation in Germany. Up to now there is no study that describes how the companies in the medium-sized sector actually design their SSC.

In order to bridge this gap, the purpose of our study is to explore the design, the implementation and the control instruments of an accounting-related SSC in medium-sized companies of Baden-Württemberg.
METHODOLOGY
Since there is a lack of a general theory for the topic an explorative qualitative research design fits best here. Based on literature and existing studies we used semi-structured interviews, which were conducted with eight experts from different companies and two business consultants. The advantage of this approach is that the interviewer can lead the interview flexible and has the possibility to ask in-depth questions, if necessary (Bortz and Döring, 2016). This is needed to get a deeper understanding of the complex topic and to gain new knowledge. We decided to include companies with annual revenues between 200 million and 7.000 million Euros and at least 1.000 employees. The generated data was processed following the qualitative content analysis of Gläser and Laudel (2010).

MAIN FINDINGS
Out of the transcription and analysis there are three major areas of findings:

- The company specific understanding of a SSC and its goals of it determine the framework of the design. Based on that, the centre type, the location and the migrating processes can be derived. The legal and economic structure of the SSC strongly depends on its degree of maturity. As the study shows, many of the SSC are relatively small and still at the beginning of their development. Binding contracts like service level agreements, where responsibilities, products, transfer prices and quality of services are defined, can help to avoid discussions and difficulties in the operative business.

- There seems to be no generic approach on migration, this is as well very company-specific. Change Management and existing ERP-system are considered to be key elements for the implementation of a SSC. Further implementation challenges consist mainly of cultural challenges, work overload for employees and bureaucratic hurdles.

- Customer satisfaction measurement represents the primary management control instrument within the companies. To measure the competitiveness of a company, benchmarking can be applied to measure the company’s efficiency against competitors. To create a framework for continuous improvements the definition and application of KPIs can be very useful.

PRACTICAL IMPLICATIONS:
The outcome of this study shows results that are useful for companies who want to implement a SSC in the future as well as basic ideas to develop a generic framework for the design, implementation and
control from an academic perspective. Further research could be done by including a higher number of participating companies to develop the results gained in our study towards a theory that could be checked by quantitative research instruments afterward.

*Keywords*: Shared Service Centre, medium-sized companies, accounting, management control, cost, efficiency

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“SUSTAINABLE” REPUTATIONAL REPAIR STRATEGIES IN RESTATING POLLUTING COMPANIES

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ABSTRACT

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1. INTRODUCTION

Corporate reputation is not a static quality (Rhee and Kim, 2012), as business misconduct often causes reputational penalties (Karpoff, 2012; Pfarrer et al., 2008). An accounting restatement, which is a form of business misconduct, results from a violation of the appropriate application of accounting practices and reflects managers’ incentive to obtain short-term benefits (Efendi et al., 2007). While numerous scholars have focused their attention on the adverse implications caused by financial restatement (Palmrose et al., 2004; Graham et al., 2008; Hribar & Jenkins, 2004), relatively little research examined how firm might recover from a loss in reputation (Chakravarthy et al., 2014). Drawing upon the behavioural theory on the reputation repair (Rhee and Kim, 2012), we formulate and test our hypotheses on strategical responses to reputational damaging restatements in environmentally sensitive industries.

2. THEORETICAL FRAMEWORK AND HYPOTHESES DEVELOPMENT

Corporate reputation represents the stakeholders’ recognition of a firm in relation to the quality of its capabilities and outputs (Pfarrer et al., 2010; Rindova et al., 2005). When a firm incurs in a reputation-damaging event, the stakeholders’ expectations on the firm’s ability to fulfil its commitments results undermined, with negative economic consequences for the company such as the increasing of financing and transacting costs and/or lost sales (Chakravarthy et al., 2014). To avoid or minimise such negative effects, companies engage in corporate strategies instrumental to recover their reputation. According to Rhee and Kim (2012), the process underlying the choice of the reputation repair strategy can be assimilated to a problem-solving process where contextual factors surrounding an organization occur in affecting the strategic response, especially in the step of searching for the most appropriate solution.
To restore the stakeholders' trust, managers might be thus incentivized to shift the level of attention on other reputational dimensions relevant to stakeholders (Elsbach and Kramer, 1996; Rhee and Hadwick, 2011), argue and show that the relevance of social performances in influencing the corporate reputation is strictly linked to the nature of the business activity. Particularly, companies operating in polluting industries might feel motivated to preserve a positive organizational identity by shifting the level of attention on their green reputation (Brammer and Pavlin, 2006). Through the implementation of a cleaner production and/or consumption process, a firm also positively shapes the impressions of stakeholders about the organizational ability to create value—directly or indirectly—for them, thereby contributing to improve the overall corporate reputation (Dangelico, 2015; Porter and Kramer, 2006; Tang et al., 2012). Based on the above arguments, we formulated the following hypothesis:

**H1:** Firms operating in polluting industries ameliorate their environmental conduct in the aftermath of an accounting restatement.

A stream of literature evidences that companies are subjected to a greater damage to the financial dimension of reputation when restatement is more severe (Palmrose et al., 2004; Albring et al., 2013). In their reputational repair model, Rhee and Kim (2012) argue that the seriousness of the damaging event might lead the firm to a greater commitment in the strategic response for the reputational repairing. Under this perspective, although all operating in environmentally sensitive industries, restating firms might be incentivized to a different commitment degree in the environmental protection field in dependence of the severity of the restatement. Accordingly, we formulated the following hypothesis:

**H2:** Firms in environmentally sensitive sectors differently ameliorate their environmental conduct in dependence of the restatement severity.

### 3. EMPIRICAL METHODOLOGY AND SAMPLE SELECTION

For a comprehensive check of our hypotheses, we carried out a regression analysis on a sample of restating firms over the period 2006-2014 from 12 different countries mandatorily adopting IFRS since at least December 31, 2005 (Daske et al., 2008). We also controlling for a matched sample of non-restating firms operating in the same country of stock exchange, industry, and with similar size, with a total of 209 firm-year observations. For all regressions, we utilized robust standard errors to correct for heteroscedasticity (White, 1980), as well as firm and year clustering. We adopted ordinary least squares procedure to estimate our two equations (for our two hypotheses). Moreover, based on prior research regarding the determinants of environmental performance (Walls et al., 2012; Lys et al., 2015), we
included in our two equations several control variables. Financial reporting information was gathered from the DataStream database by Thomson Reuters.

4. RESULTS AND DISCUSSIONS

Our results give evidence on the relevance of the multidimensional nature of corporate reputation in the reputation rebuilding process. Particularly, we find that the damage to financial credibility arising from a restatement in companies belonging to an environmentally sensitive sector is followed by a greater concern for the green reputation, significantly more than the matched (non-restating) companies. Consisting with the Rhee and Valdez (2009) arguments, such strategic behaviour by restating firms thus suggest that the level of difficulty in restoring a certain damaged reputational dimension motivate managers to seek strategic responses by relying on the other relevant reputational domains. It appears that being aware of the nature of their activity, restating companies operating in environmentally sensitive industries attempt to preserve the overall reputation by shifting the level of attention on the green reputation through a greater environmental pro-activeness. However, in contrast with our second hypothesis, we find no statistical evidence that restating firms incurred in more severe accounting restatement take more steps to improve green reputation. These results contrast with previous evidence highlighting that firm’s efforts to restore its reputation depend on the severity of the reputational damage (Gomulya & Boeker, 2014). Probably, the motivations of the environmental engagement of environmentally sensitive companies are primarily related to their need to reverse the negative impact caused by the public revelation of accounting restatement per se, independently of the severity of financial misconduct.

5. CONCLUSIONS

Contributing to the behavioural theory of reputation repair (Rhee and Valdez, 2009; Rhee and Kim, 2012), we show that polluting firms recover from a loss to their financial reputation by diverting stakeholders’ attention towards the environmental field. Additionally, we contribute to the growing empirical literature on corporate environmental responsibility in polluting industries (Kim et al, forthcoming; del Mar Miras-Rodriguez et al., 2015; Tang et al., 2012; Lokuwaduge and Heenetigala, 2017) by showing that these firms use ERP levers (Porter and Kramer, 2006; Porter and Kramer, 2011) to rebuild their reputations in the post-restatement period.

Keywords: restatement; environmentally responsible practices; behavioural theory of reputation repair; key stakeholders.
REFERENCES


THE IMPACT OF PERCEIVED JUSTICE ON COMPLAINT PROCESS: AND SO WHAT?

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ABSTRACT

Although the marketing literature has seen a great deal of interest in the study of complaints (Blodgett et al., 1997; Maxham & Netemeyer, 2002; Del Río-Lanza et al., 2009; Brock et al., 2013; Yilmaz et al., 2016), little is yet known of the influence of complaint management on brand trust and its behavioral consequences from the consumer perspective. Therefore, the purpose of this paper is to identify the impact of perceived justice on brand trust and what are the resulting consequences of this in the context of a complaint process. Thus, the following research questions will be answered: Which component of perceived justice has the greatest impact on brand trust? What is the impact of brand trust on consumer behavioral variables?

The literature review have analysed the satisfaction arising from the complaints management (Tax et al., 1998; Smith et al., 1999; Maxham & Netemeyer, 2002a e 2002b; Maxham & Netemeyer, 2003; Homburg & Fürst, 2005; Gohary et al., 2016). Additionally, the three components of perceived justice, ie, distributive justice, procedural justice and inter-judicial justice are possibly among the most importante consumer trust determinants (Chiu et al., 2009). Specifically, H1a: The distributive justice dimension of perceived justice has a positive impact on brand trust; H1b: The procedural justice dimension of perceived justice has a positive impact on brand trust; H1c: The interactive justice dimension of perceived justice has a positive impact on brand trust. Some authors (Koschate-Fischer & Gärtner, 2015), have identified brand commitment, and loyalty as outcomes of brand confidence. This is also studied by Chaudhuri and Holbrook (2001) and Delgado-Ballester et al. (2003). A successful complaint management can bring the consumer brand relationship closer and stronger (Gustafsson, 2009). All dimensions of justice seem to be positively associated with loyalty (DeWitt et al., 2008). Not only the brand attraction, as a result of trust, can translate into the intention to disseminate positive word of mouth (WOM), but also perceived fairness is referred to in the literature as possibly leading to positive WOM disclosure (Davidow, 2003). The positive perception of the recovery efforts made fosters confidence which then translates into positive WOM intent on the experiences experienced by consumers (Lii et al., 2012). Brand commitment is related to the perception of change costs. Moreover, in an effective complaint management process, the fact that the recovery system is excellent is crucial to deter consumers who have been disappointed by the organization of switching supplier (Lovelock & Wirtz, 2016). Moreover, at the level of interactive justice, effective perceived communication instigates
perceived Confidence, which in turn leads to increased perceived change costs (Yen et al., 2011). Hence, Mattila et al. (2014) shows that it is only by observing a fair, targeted recovery for the perceived victim-consumer that a positive impact on consumer loyalty can be achieved. Additionally, the consumer perception with which consumers stay at the end of the process, if satisfied, makes them trust the brand and generate positive WOM (Ding & Lii, 2016). In fact, studies in the area indicate that effective recoveries can lead consumers to WOM once their processes have translated into satisfaction and purchase intention (Maxham, 2001; Gohary et al., 2016). Therefore, H2: Brand trust has a positive impact on loyalty; H3: Brand trust has a positive impact on the positive WOM; H4: Brand trust has a positive impact on the change costs; H5: Loyalty has a positive impact on the positive WOM. Data collection was done using a structured online questionnaire to final consumers. All the respondents must have already made a complaint (filter question). Its measurement was made using Likert scale of 7 points, where 1 corresponded to "strongly disagree" and 7 corresponding to "strongly agree." The Distributive, Procedural and Interactive perceived justice was measured using Maxham & Netemeyer’s (2002b) scale with 4 items each one, the Brand Trust was measured using the Delgado-Ballester et al. (2003) scale with 8 items, the Costs Change was adapted from Wong (2011) and Lam et al. (2004) scale with 4 items, the Loyalty was measured using the Fürst & Homburg (2005) scale with 5 items, the Word of Mouth was measured using Maxham & Netemeyer’s (2002b) scale with 4 items. Data were analyzed using Structural Equation Modeling. A total of 219 valid questionnaires were collected. The survey questions were tested through confirmatory factor analysis (CFA). Because we used established constructs exploratory factor analysis is not relevant here. CFA was used to validate the measurement models consisting of six constructs. The measurement model shows a reasonable fit when RMSEA=.073 and the CFI=.946, above 0.90 (Hair et al., 2010). Validation of the latent constructs is evaluated by convergent validity. All composite reliabilities are greater than the minimum criteria of 0.70 (Nunnally and Bernstein, 1994). The average variance extracted (AVE) provides evidence of overall convergent validity of each construct and exceed 0.50 (Fornell and Larcker, 1981). The discriminant validity was validated to all constructs. As a result of testing the structural equation model, the model generated the following statistics: \(X^2/\text{gl} = 2.155; \ CFI = 0.946, \ TLI = 0.940, \ NFI = 0.904 \text{ and } \ RMSEA = 0.073.\) The model has a very good fit. Additionally, With the same variables used in the SEM, and based on regression models, this study related directly brand trust (bt) with the three types of justice considered. The three types of justice are statistically significant (p-values less than 1%; in statistical inference, robust estimators were used) and since the coefficient estimates are of similar magnitude (and the variables are expressed in the same scale of values) it can be concluded that the importance of each type of justice in brand trust are equivalent. It was also analyzed the importance that brand trust has in worth of mouth, loyalty and costs of change.
Brand trust is particularly important in the first two cases (significance levels less than 0.1%). Once again, because the scales are the same, a variation of 1 unit in brand trust has a repercussion of magnitude almost equal in the variation in word of mouth and only slightly less than 1 in loyalty. Brand trust thus seems to play a decisive role in those two variables. Regarding the change costs, the influence of brand trust is still clearly significant, but with a much lower magnitude. Regarding the influence of the main socio-economic characteristics of consumers on brand trust, the only one that appears statistically significant is the occupation. Age is significant at a significance level close to 9%, the signal obtained for the coefficient being negative mean that as the age of the consumer increases, brand trust tend to decrease, everything else constant.

The hypotheses formulated were all most validated except the H1a and H3. The construct procedural Justice is the most important determinant of the brand trust. In turn, it can be seen that Brand Trust has a greater impact on the Loyalty variable. Regarding WOM, it is the Loyalty variable that has the most impact on this construct.

Perceived justice is a huge concept, on behalf of the complaint management context. A proposal of a structural equation modelling (SEM) to assess the outcomes of Perceived Justice was advanced and validated it in the context of marketing B to C. This study represents a contribution to the marketing research. Firstly, it points out the critical variables considered as determinants of the Brand Trust in a new perspective, missing in the previous literature review. Secondly, the results consolidate the importance of perceived justice as a crucial construct in the long-term brand consumer relationship. Lastly, it provide key managerial insights answering how brand managers could capitalise brand trust through complaints process management.

Keywords: Complaint Management, Perceived Justice, Brand Trust, Behavior Consumer, Loyalty, Change Costs, Word of Mouth, SEM

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ABSTRACT
Internationalization represents a debated area in management studies. Extant research shows that several variables, being them firm-related (Chen et al., 2016; Jones and Coviello, 2005; D’Angelo et al., 2016; Larimo, 2013), country-related (Chen et al., 2016), e.g. where to internationalize, and/or industry-related (Chen et al., 2016; Jones and Coviello, 2005; Grøgaard et al., 2013), influence internationalization performance. Beyond being evidence still very fragmented (Chen et al., 2016), what is most surprising is that a key factor such as business model design has been almost ignored. Business model design has been considered as crucial in explaining a firm’s performance (Zott and Amit, 2008). However, when it comes to be considered with respect to internationalization performance little evidence exists (Hennarth et al., 2017).

The aim of this paper is to investigate if business model design matters for internationalization performance. Specifically, drawing from a resource-based view of the firm, this paper jointly considers (i) the impact of resources & capabilities, (ii) alternative business model designs and (iii) the moderating role of being a family-owned firm on SMEs internationalization performance. In particular, three hypotheses are developed. First, on the basis of the literature reviewed (Kyläheiko et al., 2011; Ren et al., 2015), we suppose that firm resources & capabilities positively influence firm internationalization (Hp. 1). In so doing, we distinguish between managerial capabilities and innovation capabilities, measuring them through multi-items constructs, and marketing resources, as the share of employees working in marketing department. Second, we propose that business model design influences the internationalization performance (Hp. 2). We distinguished between pure manufacturer and pure subcontractor (Cagliano and Spina, 2002), and hybrid business model designs. Third, we look at the moderating role of family ownership, measured as a dichotomous variable, on the resources & capabilities – internationalization performance relationship (Hp. 3a) and on the business model design-internationalization performance relationship (Hp. 3b). The dependend variable, internationalization performance, is measured as the share of foreign sales over total assets.

Hypotheses are tested on a unique database consisting of 213 Italian SMEs in the fashion industry. Results from the regression analysis can be summarized as following. First, consistently with previous research, a positive impact of managerial capabilities, innovation capabilities and marketing resources on internationalization performance is found. Second, an inverted U-shaped relationship is highlighted between business model designs and internationalization performance. Finally, family...
ownership does not moderate the resources&capabilities – internationalization performance relationship, while it positively moderates the impact of alternative business model designs on internationalization performance. Moreover, post-hoc analyses reveal a 3-way interaction among managerial capabilities, family-ownership and business model design on internationalization performance, suggesting that being a family-owned business positively influences the inverted U-shaped relationship between business model design and internationalization performance.

This paper contributes to extant research on internationalization management in two ways. First, it represents one of the few examples of studies on business model, family firm and internationalization performance (Hennarth et al., 2017), in particular presenting a business model design continuum between pure manufacturing and pure subcontractor business model. In answering to our research question, hybrid business models seem to lead to higher internationalization performance than the two purest designs (i.e. pure manufacturer or pure subcontractor). However, pure manufacturer business models lead to higher internationalization performance when the firm is family-owned. Second, the paper presents interesting results on the interaction between family-ownership, business model design, and capabilities on internationalization performance, thus calling for further research on this area.

The paper is not without limits that represents avenues for further research. First of all, internationalization performance may be measured by several variables, while we only focused on foreign sales. Second, we know that family firms are heterogeneous and this may lead to different internationalization strategies (Arregle et al., 2017; Kontinen and Ojala, 2010; Pukall and Calabrò, 2014). Third, our results derive from Italian fashion industry only. Moreover, our research findings also are the basis for additional, new research paths. For example, which are the capabilities family-owned firms should develop for improving their internationalization performance under specific business model designs? And, does size influence these relationships? We think that the topic would be of interest for international management and family business scholars as well as for all those practitioners who are facing internationalization challenges.

Keywords: business model design; family-owned firms; internationalization performance; capabilities

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OPEN INNOVATION IN PUBLIC ORGANIZATIONS: EVIDENCES IN SMART CITY PROJECTS

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ABSTRACT

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OBJECTIVE(S)

City officials are facing increasingly complex challenges. On one hand, as urbanization rates grow, cities face higher demand for services from a larger and more densely distributed population. On the other hand, rapid changes in the global economy are affecting cities that struggle to adapt to these changes, often resulting in economic depression and population drain. “Open innovation” is the latest answer and approach developed both in public and private organizations in order to answer on how new technologies can address the volume and complexity of challenges for cities and governments in general.

Thus, this paper arises due to the emergence of the growing phenomenon of "smart city" in which public organizations cover a leading role in the development of new and innovative “smart services” in cities (e.g., Desouza and Mergel, 2013; Ferraris et al., 2017) with the final aim to increase the quality of life of citizens (Alves, 2013; Ferraris and Santoro, 2014). The main objectives of this paper are: a) to explore the open innovation approach of public government in the development of smart city projects; b) to highlight best practices in the co-development and co-delivery of new smart services with other city’s stakeholders; c) to explain why and how an open approach can be successful in the development of smart city projects.

RELEVANT THEORIES

In the last years, open innovation approaches are gaining popularity across all levels of government (Desouza and Mergel, 2013) and an increasing number of public organizations are participating in Open Innovation strategies (Lee et al., 2012; Alves, 2013). Most approaches can be defined as experimental
lighthouse projects, and each case is situated in its own political and legal environment, with a diverse set of unique public management problems (Desouza and Mergel, 2013). However, Open Innovations strategies in public organizations differ from private organizations in a number of ways: a) the decision making process; b) the commitment to public services; c) the possess of weak absorptive and innovation capabilities.

In first place, decision making processes in public organizations are moderated by political action and strict bureaucratic processes, creating significant organizational slack and misalignment of objectives with private partners (Damanpour, 1991; Rangan et al., 2006; Rufín and Rivera-Santos, 2012). Regarding the decision-making approach, public organizations are subject to multiple external authorities and have more internal bureaucracy (Perry and Rainey, 1988). In second place, public organizations are "committed to public services" (Perry, 1996) and focus more on long term and non-pecuniary impact of innovations (Damanpour and Schneider, 2009; Kivleniece and Quelin, 2012) and on mitigating market failures (Edler and Georghiu, 2007). In third place, public organizations have weaker absorptive capacity and innovation capabilities because they do not need to compete and therefore have a lower pressure to innovate (Damanpour and Schneider, 2009). Finally, weak absorptive and innovation capabilities held by public actor represent one of the main driver of "cooperation failure" (Lhuillery and Pfister, 2009). This because an efficient knowledge sharing process implies that the scientific or technological distance between partners may not be too large (Inkpen and Beamish, 1997). Usually, the technological knowledge held by the public actor is very poor and firms face some difficulties in dealing with them. This because of lack of incentives, insufficient funding, short term pressures associated with politics and the concern of re-election then the need for public support.

METHODS

In order to examine our research question, we adopted a multi-case research design (Yin, 2009). A case-study methodology enabled us to maintain the complexities and contextual contingencies involved in open innovation practices in public governments. We consider this exploratory methodology an appropriate approach to our goals given limited existing research investigating aspects related to open innovation strategies of public organizations in SCPs. Moreover, case study methodology is useful to get a better picture when the phenomenon is new and underexplored, by ensuring high-conceptual validity and understanding of context and process thus fostering new hypothesis and research questions (Yin, 2013). In detail, we have studied the strategies of five public governments in EU smart cities. The research is an ongoing project so more insights will be added in the full paper. Semi-structured interviews lasting 2 hours with public high level officials have been carried out between 2017 and the early 2018.
MAIN FINDINGS

Accordingly to our preliminary results, we are able to understand how innovation and technological forecasting have turned in revolution of industry dynamics, suggesting “open innovation” as a strategic model to help organizations to adjust to ever-shifting knowledge accruals by public actors, considered at the same time as “creators” and “destroyers” of funding for innovation. This new approach shows that public organizations should be considered as entrepreneurs and innovative firms, becoming more collaborative as the market expands beyond their original concept. Reasonably, the pattern of public strategy in a open alliance is determined not only by the plans and actions of its leaders but also by forces in its internal (which is external for the organization) environment. The Smart city and its development find a fertile breeding ground in the governance capacity of complexity, whether it be institutional, planning, communication, economic, organizational. In particular, a Smart city can’t exist without a model of dialogue among the various entities that provide public services, commissioning share of their assets, and their communication channels to the city. Public governments have to prove to be able to improve the quality of life of citizens using integrated technologies solutions from a solid organizational culture, individual rights, the care of the common areas (including digital ones) and respect of the public spaces (defined as what the public affairs to be protected). The involvement of the territory is therefore crucial, and can be stimulated through: a) the listening and management of stakeholders’ needs, motivation and synergies with other actors in the territory (utilities, transport for example); b) action planning, including analysis of impacts (privacy, usability); c) communication strategies to support the long-term program and, d) appropriate tools, measurement of interventions according to objective criteria, reporting the results and benefits at the territory.

Moreover, the governance model of Smart city should, therefore, ensure ideational-processing and operational continuity/realization/management, representation and inter-institutional collaborations, also to ensure visibility and make desirable adhesion and support of each stakeholder within city ecosystem. Public governments that want to get a good leading on smart city projects need to work on transversal policies, which, using the technologies, it is proposed to significantly develop the city and its development dynamics, to include marginalized groups and improve accessible services. As for the internal organization, however, it must put in place an open governance, dialogue, relationship with citizens, associations, companies and universities; should provide for the construction of teamwork and multidisciplinary steering committee (the project not as an "initiative of the technicians") able to build synergies between the policy on "vertical" themes.
Another key point is the rigidity of management tools and implementation of the policy - which depends on national legislation and by the gap between the innovation represented by the territorial experiments and the logic of domestic production, and regulation. They have a negative effect on innovation processes and along with an high tendency to over-regulatory legislation makes it difficult to achieve the objectives, even in the presence of resources for the Smart City project.

Keywords: Open innovation, Public Government, Public Organizations, Smart City projects, Smart City.

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ENGAGING RETAILING STAKEHOLDERS TO CORPORATE SOCIAL RESPONSIBILITY PRACTICES THROUGH SOCIAL MEDIA

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ABSTRACT

The current case study explores whether or not organizations that engage stakeholders in social media with co-creative approaches (allowing them to be active participants and decision-makers in their online CSR activities) can be more effective in building awareness, increasing stakeholders’ empowerment and participation levels, than those who use the conventional design and communication of these activities, where the stakeholder has no participation in the process and is merely taken as a passive agent. Thus, a real online participatory CSR initiative is examined, and an online questionnaire is also conducted, which gathered 322 valid responses. Results point out that co-creating socially responsible activities in social media can indeed increase the awareness for such actions and also empowerment, participation levels, positive word-of-mouth and strengthen ties with stakeholders in the process.

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INTRODUCTION

Traditionally, the main approaches for communicating corporate social responsibility (CSR) activities have been the dedicated sections in corporate websites and annual reports. Despite aiming to illustrate the increasingly importance that firms are giving to such activities, there are already some doubts about the effectiveness of these communication channels as the awareness levels of CSR initiatives has revealed to be fairly low (Chaudhri, 2016; Sen et al., 2006).

Although some recent studies focused in building consumer–brand relationships through digitally co-created social responsibility (e.g., Kull and Heath, 2016), there is still little research regarding how these activities affect awareness and engagement in social media environments and how a brand should design and communicate them in such channels to achieve the best results. Thus, the main objective of the current case study is to explore whether or not organizations that engage stakeholders in social
media with co-creative approaches (allowing them to be active participants and decision-makers in their online CSR activities) can be more effective in building awareness, increasing stakeholders’ empowerment and participation levels, than those who use the conventional design and communication of these activities, where the stakeholder has no participation in the process and is merely taken as a passive agent.

**METHODOLOGY**

Based on past research and in order to achieve the objective of the current study, we use a questionnaire composed of 28 questions, separated into three sections. The first section contains 14 questions that measured social networking usage, current CSR awareness levels, general use of the traditional CSR communication channels, current level of control felt by respondents towards CSR activities, the empowerment felt after companies adding cause choice freedom and respondents’ attitudes towards the effectiveness and outcomes of participatory CSR initiatives. The second section of the questionnaire consists in 10 questions regarding a real CSR initiative, implemented by one of the biggest Portuguese retailers - Continente. After a brief contextualization, the questions measured activity recall rate, participation rate, reasons to (or not to) participate, Word-of-mouth dissemination rate (or propensity), perception of brand image after the initiative and attitudes towards online co-created CSR initiatives (acceptance levels). According to Bradley (2013), the problem of knowledge and recall is a complex one and the process by which information is remembered has implications for researchers. We use stimulus to assist respondents through an image placed in the second section of the questionnaire to facilitate recall, as the action presented there had already taken place 1 year ago at the time the questionnaire was launched. Due to the use of filters, this section had also different question routes for each participant, based in its answers. The third section contained 4 questions regarding socio-demographic variables.

The launch of the questionnaire comprises two stages: for the first stage, it is prepared a pre-test of the questionnaire, which was the pillar for the second and main stage: the online questionnaire. During the pre-test stage, a total of 10 people are selected to be monitored while responding to the first draft of the questionnaire. This stage provided important insights about each one of the questions previously elaborated, allowing for reviewing and refining them, as well as adding more questions that revealed to be relevant for the study. To equally approach the international market, the scalability of the online questionnaires is taken into account and two versions are created for the purpose: one in Portuguese and one in English. As for the second stage, the online questionnaire was launched in social networks - Facebook, Instagram and LinkedIn - and in an international forum - Reddit, during three mounts.

**MAIN CONCLUSIONS AND IMPLICATIONS**
According to our findings, the traditional approach of communicating CSR activities in corporate websites and annual reports is not enough to assure one of the key challenges for the CSR activities success: generating awareness. Thus, as the social media phenomenon continues to expand along with consumers’ and other stakeholders’ growing expectations in socially responsible organizations, it is urgent that brands progressively rethink their CSR initiatives and start communicating them in new channels, so that they can reap the full benefits of such activities.

Secondly, individuals feel very low control regarding the process and the outcomes of CSR initiatives, and that by providing interactivity experiences and adding freedom of cause choice, organizations can increase stakeholders’ empowerment levels, consequently enhancing participation, one of the dimensions of consumer engagement. This research also managed to shed some light on Kull and Heath (2016) claim regarding the need for further empirical research addressing the need to examine if their findings regarding CSR with choice were generalizable to other forms of corporate philanthropy that were not tied to a product purchase or other consumer generated, revenue-providing transactions. The analysis of a real CSR event allowed to corroborate that co-creating socially responsible activities in social media can indeed increase not only the awareness for such actions, but also increase the chances of higher participation levels and WoM dissemination and reinforce consumer-brand ties in the process. Brand managers need to go beyond the traditional approach of posting updates on their websites, launching press releases or using annual reports to communicate social responsibility, which are compromising the results for crucial branding outcomes. For example, they can embrace the latest innovations, such as uploading photos, videos, games or mobile applications that actually enable interactivity and engage stakeholders.

Lastly, for future research we also recommend include an engagement scale that allow the study of the other dimensions of stakeholders’ engagement. In this study we only consider the behavioural component of the conceptualization of engagement.

**Keywords:** stakeholder engagement, corporate social responsibility, co-creation, social media, retailing sector

**REFERENCES (MORE REFERENCES UPON REQUEST)**


VALUE INVESTING APPROACHES: A SYSTEMATIC LITERATURE REVIEW

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ABSTRACT

Value investing (VI) is an approach to fully risk capital allocation attributed to Graham and Dodd in 1934. Over the years, Value Investing has been referred corporate finance studies and the stock market recent literature (e.g. Chee, 2013; Calandro 2014; Duong 2014; Asness 2015; Chen, 2017).

Regarding the past and focusing on the literature, we have found different main approaches to value investing: (1) Graham and Dodd (1934); (2) Fisher (1958); (3) Fama and French (1992); (4) Lakonishok et al. (1994) and (5) Damodaran (2012). Four out of five of these approaches have been developed in various periods and different economic-financial contexts and many contributions are written about Value Investing. Despite this attention, it is necessary to understand if the different approaches to VI are still working in the post-financial crisis years.

Therefore, this paper aims to provide a Systematic Literature Review (SRL) about Value Investing in the current scenario, in order to better highlight the position of different Authors in relation to the main approaches of study previously introduced. A Systematic Literature Review was used, because this method allowed the sample of publications to be examined in a systematic way (e.g. Petticrew, 2001; Tranfield et al., 2003; Pittaway et al., 2004). The use of the SLR method is helpful in order to improve the knowledge of the topics analysed in the academic field, in particular to locate, appraise and synthesize the most recent contribution on VI. Through a systematic review of the literature from 2007 to 2017 (namely the years post financial crises), 45 paper were identified and analyzed, through the Ebsco Host database, to give us a better understanding of the approaches and methodologies adopted in the past studies.

This search highlights 24 out of 45 papers that, directly or indirectly, have used one the main approach of study, identified in the previously literature in the last ten years (2007-2017). In particular, the results that came out is that:
- 10 out of 24 follow the Graham’s approach;
- 10 out of 24 follow the Lakonishok and Fama-French’ approaches; and
- 4 out of 24 do not follow, directly or indirectly, one of the main approaches identified.

Furthermore, referring to the methodologies, ten papers use an empirical quantitative method, nine use an empirical qualitative method (case study/multiple case study) and five use a desk qualitative method.
Analyzing the paper, the main gap that we have highlighted in our study is that none of the various Authors analyzed, take into consideration the “Economic moat”. This last element can be defined as a firm’s competitive advantage derived as a result of various business strategies/elements (cost advantages, switching costs, efficient scale, intangible assets and network effects) that allow companies to earn above-average profits for a sustainable period. Companies that have strong “Economic moat” tend to show solid financial performance and rising returns on capital over time (e.g. Ferrari, 2015).

To our knowledge, this is the first study on Value investing that systematically reviews the literature. The literature is arranged in such a way as to provide a contribution on what has been written in the last ten years on the topic, where it has been applied and the possible future lines of research.

**Keywords:** Value Investing, Corporate Finance, “Economic Moat”, Systematic Literature Review.

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**REFERENCES**


HOW ENTREPRENEURIAL ORIENTATION AND STAKEHOLDER ENGAGEMENT SHAPE INNOVATION AT FAMILY BUSINESS

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ABSTRACT

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PURPOSE OF THE RESEARCH

The importance of innovation today is fully recognized by both academic and business communities (Chesbrough, 2006). The sustainability of family-owned enterprises involves linking innovation with the entrepreneurial orientation of their decision makers (Kaufmann and Shams, 2015; Bughin, Chui and Johnson, 2008; Smith and Lohrke, 2008). This paper aims to verify how the entrepreneurial orientation of Family Business (FB) allows them to adopt innovation to become sustainable in the long term.

CONCEPTUAL MODEL AND PROPOSITIONS

The concept of EO (Entrepreneurial Orientation) developed by Miller (1983, 2011) considers that this requires a constant balance between the proactive, innovative behaviour and the propensity to risk, in a one-dimensional perspective. Another approach considers EO divided into several dimensions: the assumption of the risk, proactivity and the propensity for innovation, backed by Covin and Slevin (1989), Zara and Covin (1995), Wiklund (1999) and Anderson, Kreiser and Kuratko (2015). Lumpkin and Dess (1996) and, extended this concept by introducing the dimensions of autonomy and competitive aggressiveness, giving it a multidimensionality perspective (Lumpkin et al., 2013; Wales, 2016). According to Miller (1983), and Anderson et al. (2015) an entrepreneurial orientation translates decision models and management practices, that includes the assumption of risks, the search for change, innovation, and proactive action with the purpose to outperform their competitors. Hall and Vredenburg (2003) sustain that viable change innovation is more complex than the conventional, market-driven novelty, because it must reveal a wider range of stakeholders. Business need to innovate...
by reinventing the way they relate to their multiple stakeholders: employees, customers, competitors, suppliers, communities, governments, etc. But at the same time, the dynamically managed relationships with stakeholders can become an important source of ideas for innovations that report stakeholder expectations and eventually add to the welfare of the social and natural environment (Ayuso et al., 2011). Based on the above, the following propositions related to entrepreneurial guidance were formulated: P1: The risk assumption by entrepreneurs of family-owned enterprises positively influences the adoption of innovation; P2: The proactivity of family-owned entrepreneurs positively influences the adoption of innovation; P3: The innovative behaviour of family-owned entrepreneurs positively influences the adoption of innovation; P4: The autonomy of the entrepreneurs of the family companies positively influences the adoption of the innovation; P5: The involvement of different stakeholders in family companies positively influences the adoption of innovation.

**METHODOLOGY**

Indirect information gathering techniques can play a key role in the conduct of research, particularly when they favour access to the narrative of different actors who describe their beliefs and experiences in the first person. When these techniques are supported by credible sources, the researcher can contact a large volume of information, thus constituting powerful tools, among others, for the generation or validation of hypotheses (Colás, 1998). In this research, ten interviews to current managers and other stakeholders, namely leaders, white colour workers and others, were analysed from a TV program, dedicated to Portuguese FB, belonging to various sectors: food, cosmetics, art supplies, ceramics and paper. These FB are small and medium-sized enterprises that have been developing their business through several generations. All the programs have been viewed. Then, seeking to ensure methodological triangulation, a content analysis was held by four researchers and resorted to software NVivo. Have been analysed the main themes, categories and subcategories of information that result from the participants' discourse and establishing a relationship between them, developing categorical schemas, conceptual schemas, and testing their acquisition of data (Azevedo, 1998).

**FINDINGS**

The analysis of the literature led to the identification of three major themes, around which the discourses of the various stakeholders are organized: the entrepreneurial orientation, the stakeholders’ engagement and the innovation. When we performed a frequency analysis of the speeches given by the interviewees, we noticed that some of the subcategories stand out. When it comes to entrepreneurial orientation, the risk assumption category is clearly highlighted by the boldness to explore new opportunities. As far as pro-activity is concerned, the pioneering approach to the introduction of new
products, services and / or technologies emerges, followed by customer monitoring. The innovative behaviour subcategory reveals a focus on launching new products and innovative solutions. About stakeholder engagement, workers and the surrounding community are the ones who are mainly present in the expression of these interviewees when compared to clients, suppliers and the family itself. Finally, in the innovation category the focus of the participants was distributed in a balanced way by the three following subcategories – flexibility, openness to the external environment and attempted and error learning. Concluding, we can say that these FB were forced to evolve and innovate, both by vicissitudes of history, such as changes in consumer habits, constituting cases of companies that show a superior performance in way of dealing with the risk, making use of the know-how and value of employees and the external community. Furthermore, developing new products, and inventing novel solutions to solve problems, through a flexible trial and error learning strategy, had been critical.

ORIGINALITY AND VALUE

The main contribution of the present research is to prove qualitatively the dimensions of entrepreneurial guidance and engagement for the culture of innovation. Entrepreneurial orientation, in conjunction with stakeholder involvement, reveals an important organizational capability for the development a culture of innovation.

LIMITATIONS

Although this work has been conducted based on indirect data collection, the source is credible and provide information directly by the different stakeholders of the companies involved. However, it would be interesting not only to increase the volume of cases, but also to have the opportunity to make direct contact with the current managers of the companies involved, validating the model.

THEORETICAL AND PRACTICAL IMPLICATIONS

The distinct categories of entrepreneurial orientation were of different importance to the concerning companies analysed and it was found that this orientation had an influence on the development of a culture of innovation. These findings confirm theoretical assumptions of the multidimensionality of entrepreneurial orientation concept (EO), presented in the work of Lumpkin and Dess (1996) and Lumpkin et al. (2013). Beyond, the results show the importance of the involvement of internal and external stakeholders for the development and creation of a culture of innovation (Freeman, 1996; Ayuso et al., 2011; Hart and Sharma, 2004; Holmes and Smart, 2009).
Keywords: Entrepreneurial orientation, Family business, Innovation, Stakeholder engagement.

REFERENCES


AN EXPLORATORY INVESTIGATION OF EXTREME VS TRADITIONAL SPORTS IN ADVERTISING

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ABSTRACT

This study provides an exploration of consumer reactions to advertising set in extreme sports and in traditional sports. In their rush toward finding new trendy sport disciplines and attractive contexts, marketers are nowadays making a massive use of extreme sports. Extreme sports are activities where participants are subject to unusual physical and mental challenges such as speed, height or natural forces and that often require extreme endurance and/or quick reflexes. Such activities require pushing the physical and mental limits to the edge; the ultimate goal is providing strong sensations by undergoing seemingly impossible challenges and difficulties (Yan & Bonanno, 2015) whose successful overcoming feeds the idea of belonging to an elite group of “superior” men/women (Lyng & Matthews 2007).

According to cognitive adaptation, difficulties and challenges are present in traditional activities, but are unsought and actively minimized to restore a risk-free condition (Taylor 1983). Indeed, situations pushing to the limits and exposing to extreme difficulty lead to painful psychological processes to rebuilt self-identity and to minimize the perception of those challenges and difficulties (Jayawickreme and Blackie, 2014). Thus, while sensationalism is not negative per se in traditional activities, it is sought by means different than voluntary risk-taking. In summary, the difficulties and challenges that can be found in traditional and extreme activities might even be the same, but the mindset they activate is very different if not opposite. Hence, we posit that advertising appeals related to difficulty and challenge might work quite differently in the contexts of extreme and traditional sports.

A total of 6 mock-up ads of the same product category (watches), sport type (biking) and brand were used as stimuli. Respondents were randomly assigned to 1 of the 6 experimental conditions according to a 2 (sport type: extreme BMX vs. traditional biking) × 3 (ad focus: difficulty, challenge, baseline) between-subjects experimental design after pretesting the correct identification of the sport types as extreme and traditional, respectively, and of the ad appeals as related to difficulty, challenge with oneself, and neither (baseline). Respondents were asked product attractiveness (Fuchs et al., 2015), brand attitude (MacKenzie & Lutz, 1989) and purchase intention. One hundred eighty questionnaires were recruited from crowdsourcing online panels (Mage = 34.82; 40.4% female; 50% active participants). A Multivariate Analysis of Variance was run with ad appeal and sport type as independent variables, and...
with brand attitude, product attractiveness and purchase intention as dependent variables. No significant main effect was found for sport type (Wilks \( \lambda = .975, p > .10 \)) or ad appeal (Wilks \( \lambda = .955, p > .10 \)), but a significant appeal \( \times \) sport interaction emerged (Wilks \( \lambda = .915, p < .005 \)). Follow-up univariate analyses reveal that the interaction has an impact on product attractiveness, \( p < .05 \) and marginally on purchase intention, \( p > .10 \), but not on brand attitude, \( p > .10 \). We then run post-hoc comparisons among the appeals. As challenge- and difficulty-based appeals emerged as equally effective (pattract > .10, ppurch > .10), we combine them in the following post-hoc comparisons. We find that in extreme sports they are more effective than the baseline appeal in shaping product attractiveness (Mbase = 4.27 vs. Mchal&dif = 4.79, \( p < .05 \)), and marginally also purchase intention (Mbase = 2.64 vs. Mchal&dif = 3.01; \( p < .10 \)). Instead, as anticipated we find a pattern switch in traditional sports, where it is the baseline appeal to be more effective on product attractiveness (Mbase = 4.45 vs. Mchal&dif = 3.76, \( p < .05 \)), and marginally on purchase intention (Mbase = 3.20 vs. Mchal&dif = 2.6, \( p < .10 \)). No gender- (Wilks \( \lambda = .988, p > .10 \)) or age-related effects (Wilks \( \lambda = .984, p > .10 \)) emerged.

Results suggest brands should consider changes in their advertising strategies when it comes to advertise using extreme sports or traditional sports as advertising contexts. Advertisers should be aware that in extreme sports they would need to emphasize issues of difficulty and challenge with oneself, but to de-emphasize them instead in traditional sports. In a nutshell, give each context what it needs, and don’t mix the two.

Keywords: extreme sports; edgework; advertising effectiveness

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STRATEGIC LEADER & LEADERSHIP FOR SUSTAINABILITY IN PROJECT MANAGEMENT

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ABSTRACT

Infrastructure projects suffer endemic cost-time overruns and project organisations concerns for protection of environment has been criticised. These projects, generally, make use of transactional leadership approach in getting things done efficiently rather than the higher innovative and responsible leadership with ethics-moral, concerns for societal aspirations, wellbeing, protection of environment, and economical viability as required in today’s market dynamics (e.g., Mukerji, 2017; KPMG, 2009; Cole, 2003). The practitioners who provide bulk of the leadership across levels work long hours and under unprecedented challenges. They endure high stress, job insecurities from repeated organizational restructurings and shortage of skilled workforce. They have interests in taking higher responsibility in their ‘self’ development, and in making differences for stability and growth. They welcome practical organisational education-training and management support in their development (Mukerji, 2017, 2012).

Infrastructure projects are often large, highly sophisticated and organisations are showing increasing interests for changes for making the difference to sustainability. An analysis of the causes of the drift of strategies from the key needs of the environment and the causes of project cost-time overruns point to important lessons for the organisation and the leaders not only for transformational change but also to proactive decision-making for strategy changes and planning for success in world market dynamics (e.g., Mukerji 2012, 2017; Shenhar, Dvir, 2007; Hain, Preuss, Pinkse et al 2014). This conceptual paper is based on review of over 100 seminal published multidisciplinary literature of reputed scholars, experts, as well as reports and standards of renowned authorities and body of knowledge (BOK). Literature posits the influence of organisations’ history; culture, governance and learning-education (L&E) systems often show a lack of dynamic balance for adjustments with the changing environment resulting in increasing gaps in strategy development for responsible competitive performance. Paper investigates development of strategic leadership-of-self (LOS) capacities of practitioners across levels to minimise cost-time overruns as well as proactively respond to evolving challenges and opportunities for sustainable breakthrough performance to position the projects as sustainable competitive weapons in world markets.

Paper targets development of healthy, university educated engineers, marketing and other professionals providing bulk of the leadership across and within project management (PM) levels in positions such as trainee managers, through team leaders, project managers, in governance and so on.
Literature emphasises that the culture seems to be an important element to development and sustenance of ethics-moral behaviour across leadership domains (Hammond, Clapp-Smith, Palanski, 2017; Day, Fleenor, Atwater et al. 2014; Laudato si’ Papal Encyclical; Weiming, 2015). Position titles and responsibilities of leaders as well as governance settings, organisational culture etc vary amongst different companies. Thus, there is no one right set of answers to complex leadership challenges in unique infrastructure projects in different organizations (Avolio, 2007; Crossley, Cooper, Wernsing, 2013; Day, Fleenor, Atwater, et al 2014). The leadership process requires leaders with flexible capacities to make differences in their unique situations and in their own styles of leadership to be innovative and within the governance settings for the PM. Paper recognises that LOS capacity development for sustainability is complex and takes time (UNDP, 2009; Crossley, Cooper, Wernsing, 2013).

Literature posits leadership occurs at all domains of life (e.g., work, community, family/friends, and influence of body-of-knowledge or BOKs). The collaborative interfacing with expert colleagues, other stakeholders with helping each other relationships for success of self, team, and PM inside and outside of the workplace significantly empower leaders’ validation of their thoughts-words-actions for performance (e.g., Hammond, Clapp-Smith, Palanski, 2017; Mukerji 2017; Avolio, 2007; Day, Fleenor, Atwater, et al 2014). LOS capacities developed and sustained by the leader’s own initiatives as well as support of organisational culture and individualised state-of-art education-training-experience would go a long way to gradually developing leader’s contemporary spiritual-humanism, altruistic mindset and behaviour for sustained societal relationships and inner-renewals to individual potential best capacities for sustainable project management leadership (SPML). Paper suggests a flexible blend of transactional, transformational and spiritual (but not necessarily religious) leadership for practitioners to adapt in the spirit of SPML to their situational needs (Jamaludin, Rahman, Mukhbal et al, 2011; Fuller, 2001).

Paper contributes the “context” for SPML. It provides the key generic insights and guidance to practitioners to adapt to their individual mindset and leadership strategies for responsible leadership with attributes for masterly facilitation of expert team members towards societal relationships for innovative decision-making, develop LOS and leadership breakdown structure, concerns for ethics-morality, protection of environment, wellbeing, and profitability efficiently and effectively. The proposed flexible SPML framework includes state-of-art socio-cognitive L&E model, partial framework of PM, model of sustained LOS development underscored by spirituality, necessary artifacts for practitioners adaptation for growth and sustenance of high collaborative performance based on mindset for utilitarianism and altruism (Joseph, 2015; Doloj, 2007; Drucker, 2005; Hain, Preuss, Pinkse et al 2014). The spiritual underpinning of SPML supports leaders’ self-cultivation for growth of self-awareness, practical divinity, mindset towards image building for trust, and altruistic performance in the essence.
of contemporary spiritual humanism and happiness (Seltzer, 2013; Narain, 2000; Weiming, 2013; Jamaludin, Rahman, Mukhbail et al, 2011). The study contributes to advancing the science of leader development in the environmental dynamics.

It is increasingly evident that outstanding organisational strategies supported by sound governance and culture, L&E leads practitioners’ LOS capacities to gradually develop into sustainability in protecting organisations reputation; wellbeing, drives innovation, and employee engagement which satisfies consumers, attracts and retains top talent; leading to market differentiation and so on all of which are key ingredients for long-term growth and profitability. SPML and LOS capabilities are expected to drive and uphold the sustainability within changing environment (PwC, 2018; Hain, Preuss, Pinkse et al, 2014; Graen, Grace, 2015; Mukerji, 2017; Kotter, 2016). SPML is strategic and cross-cultural. It requires support of organisational governance, education-training and culture. SPML is not a myth. It represents the emerging trend in project management.

**Keywords:** Project management, leadership, leadership-of-self, learning-education, sustainability, ethics/moral, spirituality, spiritual humanism.

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MINDFULNESS TRAINING: HOW TO BECOME A BETTER LEADER

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“The true value of a human being is determined primarily by the measure and sense in which he has attained liberation from the self.”

Albert Einstein

ABSTRACT

We offer a single case study that explores and evaluates 8 week mindfulness training for a leader with an executive responsibility for a medium-sized organisation in a highly competitive industry. Mindfulness training in various forms has been increasingly gaining recognition in healthcare, education, wellbeing and leadership development (e.g., Reitz & Chaskalson, 2016; Van Dam et al., 2017). Due to the popularity if this approach Time magazine famously announced the ‘mindfulness revolution’ (Pikert, 2014); since then, the UK government has announced it wants their country to become a ‘mindful nation’. Despite this wide practical application, our understanding of what works, what does not and why these things occur is far from complete. This is largely because of definitional inconsistencies, methodological issues and limited, and times contradictory, empirical evidence. Scientific investigation of mindfulness benefits in healthcare is certainly leading the field, while our insights in how it works in leadership development remain limited.

The Buddhist skill of mindfulness was first introduced into the Western world in the late 1970s, due its capacity to reduce stress and improve wellbeing, the aspect many organisations still highlight today when embracing mindfulness. However, it has much more to offer to business leaders who run organisations in a volatile and uncertain environment, where complexity, information overload and constant connectivity exert enormous pressures.

Mindfulness is about managing the most precious productive resource, the human mind, learning to see its internal processes, habits and how they lead to patterns of behaviour often leaving us unaware about what we do and why. It is also about choosing ethical and wise action to minimise harm to self and others (Kornfield, 2008). This requires training attention, developing compassion, and embracing new attitudes to see multiple perceptual lenses that colour our view of reality and define how we react to whatever unravels around (Holzel et al., 2011).

We find three major outcomes of mindfulness training for executive leaders.

1. Improved decision-making
Constant pressure of executive jobs may undermine clarity of thinking, but mindfulness creates a mental muscle to monitor one’s thoughts and emotions as they arise, creating a space for choice instead of acting on impulse. For example, a tendency for quick action to fix the problem may not be what the situation requires. Mindfulness training builds an ability to check one’s intention, notice any self-protection tendencies that drive the primal reaction to act, e.g. reacting to fear of failure to deliver what others expect of you. An individual is then able to recognise and control a compulsive need to fix and genuinely attempt to understand the situation instead.

Further, decision-making in the age of complexity cannot rely on traditional analysis alone, ignoring other, more subtle, information. Mindfulness techniques forge a mind-body connection and train attention to notice sensations in one’s body (e.g., a rise and drop in energy) as well as read others with enhanced accuracy (e.g., are they being genuine or telling you what you want to hear?).

2. Positive organisational climate

Executive power comes with responsibility to create and maintain a positive organisational climate, where people feel energised to do their best possible work. To deliver that, leaders need self-awareness and commitment to their own well-being. Their mind state and emotions are contagious and high stress levels may limit their intentions to self-preservation. The result is being perceived as unapproachable. Mindfulness trains moment-to-moment self-awareness and the ability to optimise one’s internal state for effective leadership. For example, it is crucial to acknowledge negative emotions and thoughts. When we use mindfulness to accept them as an experience that comes and goes and explore them with curiosity, they dissipate. When we suppress them, the result is quite the opposite.

3. Authentic connection with stakeholders

Businesses exist to provide an avenue for human beings to exchange value, making employees and customers most important stakeholders. Deep understanding of their needs and perspectives is only possible when we approach human interaction with empathy and compassion, being open to whatever arises. Mindfulness helps keep one’s ego in check, exposing any tendency to judge others or their ideas and seek refuge in a ‘right or wrong’ mindset. This opens a door for continuous learning and staying open to possibilities instead of looking for the right answer.

In conclusion, we believe that mindfulness is not an optional skill, it is a must for any business leader who wants to succeed in today’s exciting but challenging environment.

Keywords: Mindfulness, leadership, emotional intelligence, decision making, wellbeing

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FIRM PERFORMANCE EFFECTS OF GENDER DIVERSITY IN CORPORATE BOARDS AND SENIOR MANAGEMENT

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ABSTRACT

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PURPOSE

The purpose of this study is to contribute to the discussions about gender diversity in corporate boards and senior management by providing evidence on its firm performance effects in a multi-country framework.

DESIGN/ METHODOLOGY

Our sample comprised all firms in the Euro-Med area operating in the consumer goods and services sectors. Excluding firms with missing board or financial data, the final sample comprised 843 firms across 9 countries which are Bosnia and Herzegovina, Croatia, Cyprus, France, Greece, Italy, Slovenia, Spain and Turkey. Our choice of sector is based on the expectation that it would be more likely to find women’s participation in corporate boards and senior management in sectors where the firm’s survival is directly linked to how well the firm understands consumer demand. Hence the firm would at least be motivated to include women in top management in order to benefit from the sheer understanding of the female consumer. The board and senior management data was not available in a readily extractable format, hence we constructed a unique database listing all board of directors’ members and senior management by looking through their biographies to make sure we identified gender correctly. All board structure and financial performance data are obtained from Thomson-Reuters®.

FINDINGS

There was no women participation in senior management and in board of directors in 13% and 76% of the firms, respectively. There was a statistically significant and positive correlation between the number of women and firm size as measured by market capitalisation. We used both accounting-based and market-based measures in order to proxy for firm performance. In the univariate and multivariate
regression analysis we used alternative definitions of gender diversity by using the number of women, the percentage of women and a dummy variable which equals 1 if there is at least one woman present in the senior management or the board of directors of the firm. Overall, it is possible to say that performance of effects of gender diversity tend to be associated with market-based, rather than accounting-based, measures of performance.

IMPLICATIONS

In this research area, there are numerous arguments ranging from ethical considerations to better corporate governance. More than a decade ago, Norway was the first to adopt a quota for women board members, followed by other nations discussing and/or adopting mandatory or voluntary quotas. Well aware of the many number of factors in play, such as board size, board structure, individual differences and team dynamics, as well as, cultural and county differences, this study asks a simple question of whether gender diversity affects the bottom-line.

ORIGINALITY/ VALUE

The originality of this paper stems primarily from the sample selection. Despite the fact that most studies in the literature tend to focus on US (and to a lesser extent UK) boards, in recent years there have been some much needed studies, from other parts of the world providing empirical evidence on the relationship between board gender diversity and financial performance (Ararat et al., 2010, Turkey; Campbell and Minguez-Vera, 2008, Spain; Lückerath-Rovers, 2011, Holland). Our paper contributes to the debate by providing non-Anglo-Saxon evidence in a multi-country context. Another novelty of this paper is provided by the inclusion of not just the board of directors but also the senior management of the firm in the analysis.

Keywords: Board Of Directors, Gender Diversity, Firm Performance, Turkey, Spain, Slovenia, Italy, Greece, France, Cyprus.

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CAN GREEN TAXATION TRIGGER PLUG-IN HYBRID ACQUISITION?

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ABSTRACT
This paper aims to determine if the green tax system, introduced in Portugal in 2014, is able to influence the interest for plug-in hybrid vehicles.

The existent literature identifies a number of factors that influence the interest for plug-in hybrid vehicles, including access to financial incentives. However, empirical evidence is not clear as to which factors are more relevant. On this basis, a survey was carried for users of light vehicles to assess the effect of the factors driving the interest to acquire a plug-in hybrid vehicle.

Our structural equation analysis found a significant positive effect of the Portuguese green tax system over the interest for acquiring a plug-in hybrid. However, the green tax system does not grant an amount capable of triggering a large-scale effect. A significant positive effect of driver’s vehicle size on interest for plug-in hybrids was also found. Overall, findings suggest that financial incentives are of first-order importance in explaining the decision of acquiring a plug-in hybrid vehicle.

Keywords: green taxation systems; plug-in hybrid vehicles

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THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY STRATEGY ON FINANCIAL RESULTS OF COMPANIES FROM AEROSPACE INDUSTRY

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ABSTRACT
Corporate social responsibility (CSR) and its impact on the financial results of companies are becoming more relevant every year, and thus deserve due attention, because participation in social business has increased both among investors and companies, despite on the uncertainty associated with how exactly the implementation of non-financial reporting creates financial value. Among the benefits that CSR programs include, the organization's financial success is the most important for shareholders (Palmer, 2012; Cajias et al., 2014).

The aerospace industry undoubtedly contributes to sustainable development. Promoting tourism and trade, it generates economic growth, provides jobs, improves living standards, and reduces poverty. In addition, the relevance of the CSR implementation in this industry is related to the process of globalization of the market, in which companies have to look for new ways of increasing market share, faced with growing competition. Despite the importance of the aerospace sector not only for citizens, but also for its strategic contribution to the development of the world economy, literature and research on the CSR implementation in this field is practically nonexistent, that is why its relevance cannot be overestimated. These factors also led to the choice in favor of studying this strategy in the aerospace sector.

The novelty of the research is not only in the methodology differing from previous studies concerning the regression analysis, but also in the selection of a rather unique industry for consideration. The initial information base is taken mainly from annual reports of companies from 2008 to 2017, non-financial reports, statistical bases Morningstar, Statista and review of available literature. As the main methodology, econometric analysis was used based on the method of ordinary least-squares and the generalized least-squares method. With the help of decomposition, five models were tested.

The impact of corporate social responsibility on the financial performance of companies can be approached from two sides. On the one hand, in practice, the more assets the company is making in the implementation of social responsibility, the less money they have to reinvest in further expansion of production and involved in other projects because the costs are large enough. But CSR costs in the long term can bring benefits to organizations by reducing various risks, increasing productivity as a result
of entering new markets, cooperating with international organizations, and successfully lobbying for society and the state (Cao, 2015; Kelchevskaya et al., 2017; Orlitzky et al., 2003).

Based on a voluminous review of the literature, identifying key industry trends not only globally but also for companies, it would be worthwhile to consider the following variables for constructing the model: financial – ROA, ROE, capitalization, Q Tobin coefficient and leverage; for non-financial indicators were used CSR reporting, GRI standard, corruption perception index, R&D costs, accession to UN Global Compact, environmental performance index and FTSE4Good index series. Control variables – size, age and Fortune 500 – have also been used, and they are not the main priority for interpreting and obtaining results, but related to the dependent variable, so they can complement and statistically improve the sample.

The test results are shown in Table 1. All specifications have a good determination coefficient, and these models are regressions with random effects (which is a common case for sampling with firms). RESET-test showed that all regressions have full specification, and the White test and Breusch-Pagan test - the absence of heteroscedasticity. Also, there was no evidence of multicollinearity.

Table 1. Results of econometric analysis

<table>
<thead>
<tr>
<th>Dependent variable</th>
<th>Specification</th>
<th>R²</th>
<th>Relationship</th>
<th>Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA</td>
<td>Iny = 0.57 • Fortune500 + 0.85 • Size + 0.85</td>
<td>93.21%</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Capitalization</td>
<td>y = 2.74 • CSR reporting + 3.89 • GRI + 0.61</td>
<td>65.92%</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Leverage</td>
<td>y = 2.74 • CSR reporting + 3.89 • GRI + 0.61</td>
<td>89.56%</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>EBITDA</td>
<td>Iny = 0.28 • Fortune500 + 0.75 • Size + 0.59</td>
<td>61.37%</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Q Tobin</td>
<td>y = 0.33 • Fortune500 + 0.06 • Size + 0.44</td>
<td>61.37%</td>
<td>+</td>
<td>+</td>
</tr>
</tbody>
</table>

We observe that in regression, where the return on assets or return on equity is the dependent variable, there is no significant effect from CSR programs. Basically, under assets are meant: buildings, the equipment, raw materials in warehouses and many other things. If we take into account the specificity of a considered sample, most of all enterprises are in the countries with good value of GDP per capita with the developed infrastructure. It is important to emphasize that most companies do not have significant social facilities on their balance sheets, since they are supported by regional budgets. Variables directly related to corporate social responsibility programs positively influence the market value of companies from the sample, with the exception of the GRI factor, which is responsible for implementing the generally accepted CSR standard in the enterprise. The negative impact of the GRI standard is due to the increasing level of competition in the sector, because the largest market
capitalization belongs to the largest player in the market - Boeing, which currently does not implement this standard, while enterprises following the size of the capitalization use GRI, thereby increasingly responding to the requirements of a socially responsible company. However, in the future the situation may change and the GRI standard in the long term will reflect a positive effect.

Based on econometric testing, it was revealed that social business conduct positively affects the financial results of companies in the aerospace sector. Basically, this correlation was found with indicators that directly related to market factors (capitalization, Tobin’s Q ratio). The analysis also showed that today more and more attention is paid to socially responsible business practices not only by researchers, the state, society, but also by the companies.

The results obtained can be used to further study whether there is a link between corporate sustainability and financial performance, and whether the company pays for social responsibility in the long term. Some conclusions drawn in the analysis indicate limitations that follow from the methodology. But, in any case, the conclusion is that, although the positive impact of non-financial reporting on financial indicators cannot be unambiguously confirmed, empirical evidence and research can show that companies do benefit from the CSR policy.

Keywords: csr, aerospace, financial results

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REFERENCES
CONSUMER BEHAVIOR AND CULTURE. PRELIMINARY INSIGHTS ON FAST-FOOD CONSUMPTION

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ABSTRACT

The study examines whether the mediating role of emotions between consumer perception of service cues and behavioral intentions is modified by different cultures (i.e., moderated mediation), in a globally-branded service format. A modified M-R model has been developed and tested. A cross-cultural comparison is presented, involving 5 continents and 22 countries. As a research context, the McDonald’s fast-food restaurant setting has been chosen due to its extensive geographical diffusion. The study addresses the gap regarding the impact of culture on consumers’ emotional reactions and perceptions (Cyr et al, 2010). A multi-dimensional perspective is proposed (e.g., Wakefield and Blodgett, 1996) measuring the environment by an all-inclusive approach (e.g., Bitner, 1992; Baker et al., 2002). Both environmental and non-environmental cues were considered in the model, following extant research in restaurant settings (e.g., Ha and Jang, 2009). Regarding emotions, a unipolar approach is embraced, allowing thereby the simultaneous feeling of both happiness and unhappiness in consumers (e.g., Jang and Namkung, 2009). In the proposed model, emotions are expected to mediate the relationship between environmental and non-environmental factors and customers’ behaviour, expressed in terms of intentions and/or word-of-mouth. Several studies have emphasized the impact of culture on emotions (e.g., Triandis, 1995; Steenkamp & Geyskens, 2006). After a rigorous translation and back-translation process, self-administered questionnaires were collected by trained assistants in different McDonald’s restaurants, in 22 countries. A multigroup SEM has been estimated; measurement invariance is checked by multi-sample confirmatory factor analysis. As for structural parameters, a fully restricted model is compared to models where each parameter is potentially different in each country. In the final model, significantly different structural parameters are left free, while all other parameters are restricted to be the same among the 22 samples.

Results suggest that emotional reactions to service factors differ among different countries. Global results confirm extant research on the mediating role of emotions in consumption settings; however, magnitude tends to be variable among countries (in some cases, greatly variable). Results suggest that importance of single service cues on consumer perceptions might vary according to different combinations of cultural dimensions (e.g., see Hofstede, 2010). For example, considering Italy, Austria and Slovenia, food impacts more on emotions and intentions in Italy and Austria; service has a stronger effect on emotions in
Slovenia. Thus, different cultural specificities might determine different customers’ reactions to the same restaurant characteristics. Moreover, in this sense, emotions are likely to have differential impacts in different countries.

Despite the impact of culture on consumption is established in international marketing literature, results suggest the need, for research, of clarifying the impacts of culture on emotional reactions and perceptions of consumers. Regarding practitioners, cultural adaptation is no more limited to “technical” characteristics of the offering (e.g., adapting food to religious prescriptions, adaptation to local social customs); rather, our results suggest the adoption of an integrated perspective in customizing the offering in diverse cultural realities, through trial-and-error procedures in the different/specific cultural contexts. This should not be longer than 3 pages including the title page, main body, tables, figures and references.

Keywords: fast-food; cross-cultural comparisons; culture.

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REFERENCES


LEADERSHIP’S NEED FOR KINDNESS IN UNCERTAIN TIMES

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“Before you know what kindness really is you must lose things, feel the future dissolve in a moment like salt in a weakened broth” Naomi Shihab Nye, “Words Under Words” 1995

ABSTRACT

Leadership during periods of uncertainty has an important role in business strategy. This research reviews published works focussing on conceptual frameworks of uncertainty and also on literature regarding kindness and compassion. It explores both theory and practice and whether the attributes of uncertainty impact on values-based leadership.

Much has been written concerning leadership styles and practice (Bass and Bass, 2008). It is widely accepted that leadership has a crucial role in both the success of organizations and also in the wellbeing of society. Little has been explored in relation to kindness and leadership yet poor relationships between leaders, managers and others is a major barrier to performance, wellbeing, and wealth creation (Robertson and Cooper, 2011: Rowland and Hall, 2013). There is also a wide raft of literature concerning uncertainty and many conceptual models. This research reviews and investigates the role that kindness may play in establishing good management practice within organizations in a turbulent world; and whether this role has value in approaches to uncertainty.

The methods used in this research were mainly based on the interrogation of literature. This comprised a systematic review of published works on uncertainty and leadership focusing on the concept of kindness. A sample of published management works was examined; using concept analysis methodology to evaluate leadership characteristics linked to managing uncertainty and the concept of kindness. The sources yielded over 2,000 references and 3,000 identified interviews over a 15 year period. Direct observations by the authors and two small purposive employer and employee focus groups were also employed to gather data.

The acronym VUCA (Volatility, Uncertainty, Complexity, Ambiguity) has been used to describe the instability of the modern world (Vaill, 2008; Hall and Rowland, 2016). Knowledge itself has become transient due to the rapidity of change. Leaders are spending significant amounts of time trying to avoid risk and uncertainty with little effect (Cotelnic, 2009). Findings indicate that there is a conceptual confusion regarding both the definition of uncertainty and its application in kindness leadership. Kindness itself may be viewed as a weakness in contemporary self-selected leadership characteristics.

Very few of the books and journals reviewed referred to kindness at all. There has been a recognition that
leaders need to adapt to such change in an agile way but its implications for management strategies has not been fully explored with reference to uncertainty.

Kindness does seem to have a positive energising effect, on both the kind individual and the recipient. Algoe and Haight, (2009) observed that when individuals observe acts of kindness then this appears to instigate feelings of compassion which creates improved inter-personal relationships and trust. Armstrong, (2015) found that in a business or organizational environment, more compassionate staff were happier and more engaged with work, were more willing and able to foster teamwork and kept customers longer and better satisfied with the service. Barsade and O’Neill, (2016), found a similar result with employees who were kind anyway gaining extra performance motivators from working in an organization which shared their values. Leaders therefore, need to be aware when their followers’ tolerance levels for uncertainty are wearing thin and when to provide alternative leadership which has more in common with the values held by others.

Conclusions suggest that poor application of uncertainty approaches leads to higher levels of deviant organizational behaviours, risk-averse practices, inauthentic kindness and a decline in efficiency, effectiveness and productivity. Yet in times when clear vision and leadership in business strategy and values is needed at both national and global levels an understanding of uncertainty is crucial to goal achievement. Kindness and compassion remain marginalized. Yet the implications for future trust and employee engagement are neglected in times where discretionary effort of workers and volunteers is crucial to goal achievement. Leaders have to spend more of their pressured time attempting to bring certainty to uncertain times by communicating and negotiating with staff to gain a wider acceptance and understanding of management practices (Herzig and Jimieson, 2006). It is therefore, easier to spend less precious time by instigating hierarchical processes and procedures. Our research indicates that this approach ignores major elements of pragmatic kindness and may be counter-productive. Signs such as cancelled meetings, curt emails, no discussion time, lack of humour, the reliance of process over interactions and spending less time receiving messages rather than giving them suggest leadership and kindness fatigue rather than a more efficient organization (Thomas and Rowland, 2014). Time is now an emotional as well as an economic currency; spending time with employees demonstrates that they have individual intrinsic value as well as acknowledging their contribution to the organization as a whole. Our work above all concludes that kindness costs in terms of emotional and temporal investment. Leaders need the courage to lead with compassion and help navigate in these turbulent and uncertain times.

This paper provides additional insights and promotes dialogue between disciplines that has hitherto been neglected. Our paper calls for sustainable kindness from leadership in the spheres of public and
business environments. This research contributes to knowledge and understanding in a neglected area of international management discourse. In terms of practice it enables organizations to appreciate the benefits of kindness by leaders in terms of both the “bottom line” and good citizenship. Consequently it may help leaders formulate organizational policies that not only enable navigation through the whirlpools and rapids of uncertain times but also ensure healthy workplace cultures that stimulate creativity and employee engagement.

Keywords: Uncertainty, Leadership, Kindness, Pragmatism, Grace, Compassion

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REFERENCES

QUALITY ASSURANCE PROCESS MANAGEMENT IN TRANSNATIONAL EDUCATION SERVICES: A RESEARCH NOTE ON STRATEGIC DIRECTION

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ABSTRACT

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INTRODUCTION

The purpose of this research note is to concisely point out the contemporary issues and concerns in quality assurance (QA) process management in transnational higher education, in order to develop a strategic research direction for future research. This theoretical review based paper demonstrates that balancing the external and internal stakeholders’ influences on the QA process management in transnational education (TNE) services is a major challenge of the contemporary higher education industry. The review precises a strategic direction towards a research agenda in QA process management in TNE service. Specifically, it accentuates that investigating (a) the TNE exporting institutional QA requirements as internal influence, and (b) the TNE importing country’s government and market agencies’ QA requirements as external influence, in order to work toward an integrated QA process management framework, would be the steering elements and critical factors of success of TNEs’ competency in confronting their QA challenges. These insights may constitute guiding principles and/or directions for researchers in the field, and valuable guidance to education practitioners.

TRANSNATIONAL EDUCATION SERVICES AND THE SIGNIFICANCE OF FURTHER RESEARCH IN QUALITY ASSURANCE PROCESS MANAGEMENT

Quality assurance (QA) process management in higher education was originally introduced to satisfy various needs of onshore education services (Stensaker and Maassen, 2015). Compared to the onshore higher education services (e.g. the onshore universities during the medieval era), the offshore mode of education service or transnational education (TNE) is a relatively new; however rapidly growing practice (Keay et al., 2014), especially in recent decades (Stensaker and Maassen, 2015). Through TNE,
universities’ “off-shore capability increases the size of their markets, by making their products accessible to a wider population who cannot afford (or are not inclined) to study on the home campus” (Healey, 2008, p. 344). Therefore, TNE evolves opportunities, as well as encountering threats to uphold the education exporting institution’s reputation (Edwards et al., 2010) in the offshore international markets. Since, TNE is a newer development in the global higher education sector, generally there are more issues related to the international aspects of this mode of higher education management yet to be understood, compared to the onshore higher education, which could be considered as one of the threats of TNE and its QA management. In support of this view, Stensaker and Maassen (2015) argue that “international quality assurance of higher education is an emerging area with somewhat chaotic characteristics. There are several initiatives and developments along different routes, with less attention given to overarching design issues and fundamentals of quality assurance” (p. 37).

“In transnational education (TNE), learners are located in a country different to the one where the awarding institution is based” (Wilkins and Huisman, 2012, p. 627). For example, an education provider of country A offers education services to the students of country B, where the students of country B find it difficult to study in country A. There are several forms of TNE, including direct international branch campuses (DIBC), franchisee, distance learning, articulation, double-degrees, joint degrees and validation of degrees (British Council, 2013; Healey, 2015); however, DIBC is the most popular form of TNEs that contributes to the recent growth of TNEs worldwide (Wilkins and Huisman, 2012). In terms of the QA process management in TNE as an offshore education service, it is common that TNEs lack accountabilities, in comparison to onshore provision of education service (Nix, 2009). On the one hand, TNEs should be accountable to its exporting institution, not only for expanding cross-border operational capabilities to generate additional revenue, but also for the quality of its services. On the other hand, in general, TNEs are accountable to their transnational stakeholders, including students, staff, government, industry bodies and others. The guiding principles in higher education are typically centred on either onshore or offshore issues. As a consequence, the more representative and accurate integrated perspective on the onshore and offshore QA issues is imperfectly understood in the concurrent higher education management (Lim, 2011).

To add to the inherent complexity of the matter, higher education institutions around the globe are confronting increased government pressure to proactively develop and sustain higher education QA process management systems, in parallel to a trend in reduction in government funding of higher education (Eckel, 2008; Shah, 2013; Douglas et al., 2015). Such a state-led tendency to cost reduction and funding policy is “seen as part of a wider set of changes that have for some time been argued to be leading to the ‘marketisation’ of...higher education in which universities have increasingly had to compete for students” (Ashwin et al., 2015, p. 610). A perspective also shared and expanded on by Vrontis et al. (2007) and
Melanthiou et al. (2017). In terms of marketisation, universities have to deal with various stakeholders in their target markets. For example, in a higher education quality management study, Ewell (2008) “compared quality (management) to a game with multiple players - states, the federal government, accrediting organizations, media/the market” (as cited in Blanco-Ramírez and Berger, 2014, p. 96). While Vrontis et al. (2015) added to this the social media communities as well. Consequently, in order to proactively market/promote higher education in transnational markets, exploring an integrated higher education QA process management framework that concerns the influences of the academic profession of a TNE exporting institution, and the government and market agencies of a TNE importing country to manage and enhance quality, and integrating the QA issues and concerns from such internal and external influences on the overall QA process management arises as critical for TNE’s to proactively manage the quality of their education services. At a policy level, and in support of this view, Dill and Beerkens (2013) argue that “the challenge confronting all nations is to design a policy framework that effectively balances the forces of the state, the market, and the academic profession to assure academic standards in universities” (p. 341). The influence of academic profession is a higher education provider’s internal influence to pursue excellence in knowledge development and dissemination through “effective peer accountability for the quality of academic programs and the validity of unit-level decision making” (Dill and Beerkens, 2013, p. 354).

STRATEGIC DIRECTION AND RESEARCH AGENDA

Based on the discussion thus far, it is argued that the contemporary scholarly views underline the importance of balancing the internal and external stakeholders’ influences on QA in higher education, as a strategic direction to develop an overarching QA process management framework that integrates the internal and external QA influences and issues to encounter the contemporary QA challenge. There are multidimensional mechanisms and requirements of QA in TNE importing and exporting countries (Lim, 2011), which are usually enforced and/or adopted by academic institutions, market and government agencies. Therefore, following such a strategic direction, a future research agenda in this QA process management knowledge stream needs to be focussed on investigating issues on and/or around the integration propensity of the internal QA issues of a TNE exporting institution, and the QA issues of the market (e.g. media) and government agencies (e.g. accrediting bodies) of a TNE importing country in the overall QA processes of the TNE. This research agenda would be instrumental to explore an overarching TNE QA process management plan to proactively balance such internal and external stakeholders’ QA influences. In the context of transnational higher education, there is less research on all-encompassing design issues and fundamentals of QA process management (Stensaker and Maassen, 2015). Consequently, analysing such QA influences from the internal and external stakeholders through these three areas (the internal influence of academic profession, and the external influence of
government and market agencies) as all-inclusive influences on TNEs’ overall quality management, underlying a single research agenda would be a timely research focus in TNE’s QA management process.

**Keywords:** quality assurance process management, higher education service management, transnational education

**REFERENCES**


DYNAMIC CAPABILITIES, STRATEGIC MANAGEMENT AND COMPETITIVE ADVANTAGE: A DEBATE AND RESEARCH TREND

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ABSTRACT

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INTRODUCTION

Centred on a concise discussion on the extant strategic management literature, this review aims to analyse the recent development in dynamic capabilities theory and competitive advantage, in relation to its existing debate, related to the two dominant logics of this field. The analysis accentuates that the works on dynamic capabilities are trending to recognise a simple or complex routine, associated with the first and second order capabilities and bundle of resources, as a source of dynamic capabilities. From this context, this review provides a unique look to the trend of dynamic capabilities research, with respect to its existing debate.

THE DEBATE

Beside the traditional resource based view’s (RBV) valuable, rareness, inimitability and non-substitutability conditions of a certain resource (VRIN) to attain competitive advantage, the term ‘dynamic capabilities’ in strategic management and competitive advantage research is coined by Teece et. al. in 1990 (Peteraf et. al., 2013). In order to generate competitive advantage, dynamic capabilities constitutes a firm’s managerial and organisational (large and complex) processes that is premeditated by the assets’ positions, and pursued by the strategic paths followed by the firm (Teece et. al., 1997). Conversely, Eisenhardt and Martin (2000) argued that dynamic capabilities could generate competitive advantages in moderately dynamic markets in very partial form, but unable in the highly dynamic markets. Dynamic capabilities are homogeneous across the firms, because of its commonalities features as well as, because of the equifinality and substitutability of dynamic capabilities as best practices in the moderately dynamic markets, it eradicates the competitive advantage (Eisenhardt and Martin, 2000; Peteraf et. al., 2013; Shams, 2016). As a result, “resources that have the same functionality as a unique or rare resource can achieve the same end” (Peteraf and Bergen, 2003, as cited in Peteraf et. al., 2013, p.
1395), and eventually deteriorates the achieved competitive advantage. To sustain a competitive advantage in moderately dynamic markets, dynamic capabilities need to ensure that it cannot be readily imitable by competitors, as well as it depends on a firm’s internal replicability (Teece et. al., 1997). In contrast, Eisenhardt and Martin (2000) argue that as a ‘best practice’ from the existing knowledge, dynamic capabilities can be a source of competitive advantage; however it is unable to sustain that advantage. Since, the “equifinality (nature of dynamic capabilities) renders inimitability, and immobility (of capabilities across the firms that is) irrelevant to sustained advantage” (Eisenhardt and Martin, 2000, p. 1110).

A boundary condition is concerned with when and where dynamic capabilities can help to attain and sustain competitive advantage (Peteraf et. al., 2013). In terms of when and where, Teece et. al. (1997) indicated that “in environments (where) of rapid technological change (when)” (p. 509). Eisenhardt and Martin (2000) exemplified that in the moderately dynamic markets, such capabilities could be originated and utilised in a limited manner as a best practice (from the existing knowledge) to generate competitive advantage. However, such an advantage would not be lasted in highly dynamic markets, since, dynamic capabilities are substitutable (thus according to Barney, 1991, it breaks a VRIN condition) and in the highly dynamic markets, it appears as simple but unstable experiential processes that rest on newly created knowledge, specific to a certain situation. Therefore, because of the persistent need to adapt with the rapidly changing conditions/market forces, “dynamic capabilities themselves become difficult to sustain in high-velocity markets” (Eisenhardt and Martin, 2000, p. 1113), which is turned out as the boundary conditions of dynamic capabilities to identify, establish, maintain and enhance competitive advantage in the highly dynamic markets (Eisenhardt and Martin, 2000).

**DYNAMIC CAPABILITIES, COMPETITIVE ADVANTAGE AND RESEARCH TREND**

“The identification of a particular process (routine) as dynamic capabilities has several implications. It opens up RBV (resource-based view) thinking to a large, substantive body of empirical research that has often been neglected with the paradigm” (Eisenhardt and Martin, 2000, p. 1108). For example, instead of the traditional view of altering the resource base, such as recognising a VRIN resource from a superior performance and then reconfiguring that superiority to a new state of uniqueness (VRIN quality), identifying dynamic capabilities based on their functional relationship to resource manipulation through VRIN attributed product development or alliance formation processes, facilitates further empirical development (Eisenhardt and Martin, 2000). As a result, dynamic capabilities would be able to confront the dilemmas (Priem and Butler, 2001; Williamson, 1999; Mosakowski and McKelvey, 1997) of its obscurity/uncertainty as ‘routines to learn routines’, perpetual recurrences, and superseded
features with lack of empirical avenues. But the key question is centred on the identification of a certain routine or process as dynamic capabilities, which is critical to generate a competitive advantage and its sustainability. However, it is indistinct to recognise a routine as dynamic capabilities. David Teece, who coined the dynamic capabilities concept in a 1990 working paper, has described in an interview in November 2013 that not yet there is a reliable theory that could identify how to build dynamic capabilities (Kleiner, 2013). Accordingly in the more contemporary literature, scholars posit that “one of the challenges…is explaining the sources of dynamic capabilities” (Arndt et. al., 2014, p. 24). Along with the transformation of market forces and evolution of technology, learning and refining the right capabilities is a key success factors in such a rapidly transmuting business environment (Arndt et. al., 2014).

From this viewpoint, Schilke (2014) discusses on the key question of this field that how do firms build and adapt routines as dynamic capabilities that reflect to the changes? On the one hand, Schilke (2014) proposes a distinction between the first-order dynamic capabilities and second order dynamic capabilities. Here the first order dynamic capabilities are that routine that reconfigures the organisational resource-base, where the second-order dynamic capabilities reconfigure the first-order dynamic capabilities in order to adapt with the changes. On the other hand, in relation to a dynamic bundle of resources and capabilities, the first-order and second-order dynamic capabilities could be analysed in order to exemplify the consequences of second-order dynamic capabilities and how exactly these two types (bundles of first- and second-order) capabilities are intertwined, since, a routine or process, linked with a dynamic bundle of resources encompasses higher stability, compared to a simple routine or process (Peteraf et. al., 2013). The empirical findings show that since there is a negative but consequential relationship between these two types of capabilities (first-order and second order), they appear as equally crucial in terms of affecting the performance outcome (Schilke, 2014). As a result, the future works on dynamic capabilities are trending to recognise a routine or process, associated with the first and second order capabilities and bundle of resources, as a source of dynamic capabilities.

Keywords: dynamic capabilities, competitive advantage, dynamic capabilities debate, resource based view, sustained competitive advantage, strategy, strategic management.

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STAKEHOLDER CAUSAL SCOPE: A CROSS-FUNCTIONAL MANAGEMENT MODEL

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ABSTRACT
Stakeholder relationship constructs (SRC) (Agariya & Singh, 2011) are typically originated and nurtured through the cause and consequence of stakeholder relationships and interactions (e.g. service encounter), as a stakeholder causal scope (SCS) to recognise stakeholders’ perceptions about a company/industry, in order to serve the stakeholders in a way that they expect and accept (Shams, 2016a).

Figure 1: SCS-centred cross-functional management.

SRCs have implications to nurture business relationships (Gummesson, 2002). Since SRCs’ are derived from SCS; analysing SCS from any cross-functional managerial setting appears as instrumental to understand the internal and external stakeholders’ perceived experience, in order to plan and manage the policy and strategy of diverse management functions to meet the stakeholders’ mutually beneficial goals. Figure 1 depicts this recurrent cross-functional management process, centred on ten management functions, which is explained here, based on two management functions (strategic management and marketing).
In order to sustain a competitive advantage, the resource-based view (RBV) of strategic management argues that a “valuable, rare, inimitable and non-substitutable (VRIN)” competence of resources is fundamental for the resources that are used to develop the competitive advantage (Barney, 1991). As an extension of the RBV, the dynamic capabilities (DCs) theory argues that DCs are strategic and operational processes, strategic positioning and repositioning of resources, and path dependencies (strategic direction) to nurture a “firm’s ability to integrate, build, and reconfigure internal and external competences to... achieve new and innovative forms of competitive advantage” (Leonard-Barton, 1992, as cited in Teece, 1997, p. 516). However, the critics argue that because of the commonalities and substitutability features, DCs and subsequent competitive advantage are unable to survive through the VRIN test (Eisenhardt and Martin, 2000; Peteraf, 2013).

The recent development of this field suggests that recognising exceptional conditions would be instrumental to retrieve the DCs’ VRIN competencies. Such exceptional conditions (e.g. the convenient location of a next door shop, in comparison to a supermarket) could be recognised from a firm’s and its allied stakeholders’ overall learning experience about the market competition (Peteraf et al., 2013). From this viewpoint, the relationship marketing (RM) concept would have implications to recognise such exceptional conditions by analysing SCSs, related to a firm and its stakeholders’ learning experience for sustaining competitive advantage, even in a market/industry that encounters rapid changes in competition (Shams, 2016b). In support of this view, Little and Marandi (2003) argue that:

RM service providers gain a better knowledge of their client’s requirements and needs. This knowledge (a potential exceptional condition, with respect to the target stakeholders’ perceptions/needs) can then be combined with social rapport built over a number of service encounters to tailor and customise the service to client’s specifications. (p. 31)

In one hand, the rapid changes in the competitive forces (e.g. legislation) in the global education industries (GEI) gloomily impact on the competitiveness of various international education destinations (Shams, 2016b). One the other hand, Asian students consider “proximity”, as one of their decision making factors to choose their international education destination (Phang, 2013; Singh et al., 2013). A perception/need of an Australian international student is recognised as “one of the reasons influencing my decision to study in Australia is its proximity to Singapore” (Tan, 2014, np). In response to such rapid changes in competitive forces, if Australia brand their valuable education, based on “proximity” as an exceptional condition related to the Asian students’ non-academic need (perception), then they would be able to sustainably brand their international education as “rare, inimitable and non-substitutable” for their key competitors (i.e. the UK and the North American countries) from the
“proximity” perspective to recruit Asian students, as Asia, particularly the South-East Asia as the major market in the GEI (UNESCO, 2014; International Students Australia, 2015) is naturally located closer to Australia. Consequently, once all other competitive forces of all competitive destinations will appear as satisfactory to the same extent to an Asian student, in such cases, the Australian international education industry (IEI) will be able to sustain their competitive advantage to that student.

Following the discussion thus far, in support of Figure-1, it can be argued that in terms of SCS, the cause of the Asian students here is “proximity” and the consequence of their relationships and interactions with the Australian IEI is their perceived academic and non-academic experience. Therefore, the policy and strategy for the Australian IEI’s cross-functional management, related to marketing (i.e. branding) and strategic management (i.e. sustainability) can proactively be managed, centred on the ongoing insights that would be developed by analysing SCS and stakeholders’ perceived experience, as a recurrent process. Further empirical insights on more cross-functional management areas, which are depicted in Figure-1 can be developed to generalise this model across diverse socio-economic perspectives, industries and markets.

Keywords: stakeholder, cross-functional, management model, stakeholder causal scope.

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RISK ATTITUDES AND INTERNATIONAL MIGRATION

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ABSTRACT

Evidence suggests that people make decisions with bounded rationality. Kahneman and Tversky (1979, 1992) presented the framework of prospect theory which explains how people make decisions under risk and uncertainty. However, even nowadays when the issue of rationality has received considerable critical attention, rationality is a continuing view in trying to explain human decisions to migrate. Previous studies, representing migration decisions by expected utility theory, characterized risk preferences by one parameter – concavity of a utility function. Such representation of risk role limits the explanation of behaviour. The prospect theory of behavioural economics can play an important role in addressing the issue of migration, incorporating such parameters as risk preference and loss aversion into the analysis. There is evidence that such incorporation could be a valuable instrument (Czaika, 2015). Therefore, the aim of this research is to identify the impact of behavioural economic factors on international migration decision.

Most of neoclassical and new migration theories are directly linked to standard economic models with the assumption of rationality and value maximization. The first tries which incorporated the risk variable into migration decision explanation were more under theoretical level (e.g. Anam et al., 2008) or speculative framework (e.g. Heitmueller, 2002, 2005) or based on other approaches (Anam et al., 2008; De Jong et al., 1983; Heitmueller, 2002, 2005), i.e. risk level could be described as an adjective variable and its role for migration decision was not proved empirically. Some authors (e.g. Baláž and Williams, 2011; Nowotny, 2014) estimated risk under gambles conditions and linked it with migration decision. But the question is whether or not such an evaluation is significant and describes the migration decision well. Initial research measuring the effects of risk attitudes with empirical proof towards migration began at the end of the first decade of 21st century (Jaeger et al., 2007) with more research continuing to nowadays (Akgüç et. al., 2016; Dustmann et al., 2015; Gibson and McKenzie, 2009, 2011; Williams and Baláž, 2014). It shows the necessity to further investigate the role of risk attitudes as a determinant of migration.

The empirical research was based on the case of Lithuanian students. Framed methodology enabled the measurement of the prospect theory parameters in the context of migration decision, i.e. quantification of risk parameter by using eliciting method and laboratory simulation asking students to respond to hypothetical questions related with socio-economic situation in Lithuania.
The role of incorporating international migration risk attitudes (risk preference and loss aversion) in the analysis of international migration decision was tested empirically, enabling to reveal the impact of migration factors on international migration decision more precisely. The mean value of risk preference equals to 0.659 and loss aversion – 4.325. It corresponds to the shape of value function of preferences under prospect theory.

Risk preference has a positive slope, indicating that the lower is the risk preference, the lower is the likelihood of international migration decision. Such behaviour can be explained by people’s risk-averse preferences leading to decisions of smaller outcome variance and preference of certainty of a lower gain than the chance of a larger gain, i.e. they prefer safe choices to risky ones.

In contrast, loss aversion parameter has a negative slope, revealing that the higher is the loss aversion, the lower is the likelihood of international migration decision. Loss aversion points out that people are more sensitive to losses than gains. It can be seen from the value function as well, i.e. the function is steeper for losses than it is for gains. The degree of likelihood to emigrate can be explained of people’s willingness to try to minimize losses because “/.../ losses loom larger than gains” (Kahneman and Tversky, 1979, p. 279).

The reduction of assumptions on standard economics models allows to achieve more reality reflecting explanation of humans’ behaviour. Ordinal logistic regression models show a great extent improvement of the overall model and the pseudo R-Square value for the strength of association between current economic and social situation and international migration risk attitudes quantified by risk preference and loss aversion. Pseudo R-Square value size effect increased almost twice and model fitting characteristics as well. The odds ratios demonstrate that students who evaluate current economic and social situation as (1) completely unsatisfied, (2) unsatisfied and (3) somewhat unsatisfied were respectively 6.1, 2.1 and 1.8 times more likely to consider emigration decision that those who was satisfied with the current economic and social country’s situation.

The results of this research show that the constructed instrument based on prospect theory is appropriate in the migration context and allows to measure migration decision. This is an important issue for policy makers to better understand migration reasons and those seeking to forecast and prevent/regulate migration flows.

Keywords: international migration, decision making, behavioural economics, risk attitudes, migration risk attitudes.

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