STRATEGIC APPROACHES IN ECONOMY, GOVERNANCE AND BUSINESS

Alexandra Zbuchea, Florina Pînzaru (editors)
Strategic approaches in economy, governance and business

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TRITONIC

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Foreword

Strategica is an international academic conference organized by the Faculty of Management from the National University of Political Studies and Public Administration (Bucharest, Romania). It is the only academic conference supported by the National Bank of Romania and has benefited from a wide coverage both in the academic and in the business world. Since 2016, the International Association for Knowledge Management is a partner of the conference.

The first edition took place in late June 2013. The theme approached was the evolutions in the economic practices generated by technologic advancement. The second edition took place in October 2014. The theme proposed for investigation was how did the recent economic crisis influenced the way economies and businesses develop their strategies. The third edition took place at the end of October 2015. It investigated the complex approaches of global vs. local strategies. The fourth edition took place in October 2016. It concentrated on investigating risks and opportunities of the contemporary business environment considering the complex evolutions of the contemporary society. The discussions involved an increasingly rising number of persons. The 2013 edition gathered more than 70 participants from 11 countries. The number increased to more than 100 academics from 13 countries in 2014 to more than 150 academics from 14 countries in 2015 and to more than 180 participants from 25 countries in 2016.

The fifth edition of the conference, *Shift. Major changes in today`s economy*, will take place at the end of September 2017 and it proposes a wide range of debates around the dynamic factors influencing the contemporary economy and society, from geopolitical factors to the digital revolution.

The present volume presents a selection of 15 studies presented at Strategica International Conference between 2013 and 2016. The structure reflects the wide variety of research of interests manifested in the contemporary academic environment and the concerns of today`s practitioners. The topics considered include factors influencing economies and companies, competitiveness and competitive advantage, sustainability and social responsibility of businesses in various fields, diversity and entrepreneurial culture, or shifts in human resources. The authors represent universities from Austria, France, Greece, Italy, Jordan, Lithuania, Romania, Russia, Slovenia, Spain, Switzerland, and the United States of America.

Alexandra Zbuchea, Florina Pînzaru (editors)

Fast-Growth Economies and the Determinants of Competitiveness in Latin America and the Caribbean

Pablo COLLAZZO, Loic TAIEB

Introduction

Firm-level competitiveness strongly influences the capacity of countries to develop, generate jobs, and increase prosperity. While competitiveness could be nominally enhanced by way of reduced taxes or outright subsidies, those choices merely create temporary advantages. Sustained competitiveness asks for long-term policies aimed at increasing productivity, which materializes at the firm level, but requires the overall upgrade of the business environment. This paper explores the determinants of competitiveness of Latin American and Caribbean economies, applying the novel concept of Fast Growing Economies (FGEs), in an effort to unveil the high growth rates drivers in the region.

Fast-Growing Economies (FGEs) are hereby analyzed at country level and with a special focus on the Latin American and Caribbean (LAC) region. In this context, FGEs are defined as those countries that have managed to *achieve* and *sustain* a superior GDP growth rate, relative to economies in the same or other regions. The determinants are the causal elements or factors of a country's higher growth rate. Some of those are what David Ricardo (1971) first called "comparative advantages", which are based on factor endowment conditions, such as labor, land, or natural resources. However, those factors can only partially explain current performance, since many countries with abundant resources often remain in rather poor economic conditions. Endowed resources in and of themselves do not fully determine the ability of a nation to generate a higher growth rate. Rather, it is the notion of competitiveness that emerges as a relevant lens to explore the discrepancies that the theory of comparative advantage falls short to explain. This study draws on Porter's Diamond model (Porter, 1998) as an analytical framework, to assess the competitiveness drivers identified applying the World Economic Forum Global Competitiveness Index 12-pillar methodology.

The opening section reviews the theory behind fast-growing economies, the methodology used to identify the FGEs in LAC, and a brief background on the region and various selected economies. The second section aims at exploring key areas of competitiveness for the region and the FGEs, and concludes with a special focus on the competitiveness of selected FGEs, applying Porter's Diamond model. Finally, a quantitative approach to growth in LAC is developed in the last section, with the purpose of statistically estimating the reach of the findings, and pinpointing the key competitiveness factors driving faster economic growth.

How to measure competitiveness

The Global Competitiveness Index (GCI), developed by the World Economic Forum (WEF), and The World Competitiveness Yearbook (WCY), issued by the Institute for Management Development (IMD) – both based in Switzerland-, make for two of the most sought-after reports on country-level competitiveness. The GCI offers a holistic crosscutting of the key elements and dynamics influencing national productivity and competitiveness by means its 12-pillar framework. The WCY, in turn, presents soft and hard data that highlight the drivers of national competitiveness, ranking countries based on their capacity to reach the highest level of economic prosperity. Other than the countries covered in the reports – 144 in 2013 for the GCI, while the WCY ranked 60 in the same year-, the main difference is of methodological nature – while the GCI puts more emphasis on survey data, the WCY focuses on 'hard' statistics from international, national and regional organizations.

Despite the vast amount of literature on competitiveness, the very definition of the concept, along with proper metrics to measure it, remain controversial. The factors that drive productivity and competitiveness are multiple, complex and different in nature. Systematic frameworks such as the WCY and the GCI are arguably useful tools to assess competitiveness at the country-level, and despite their limitations, they contribute to grasping better the meaning and scope of this complex concept. In the aftermath of the 2008 global financial crisis, competitiveness has become not only highly topical but also truly relevant and impactful in shaping economic growth and prosperity.

Fast-growth economies

FGEs represent rapidly growing markets with a special emphasis on the growth drivers. Along with a number of similar concepts that try to bundle countries according to their relative stage of development – 'developed' versus 'underdeveloped', 'mature' versus 'developing' countries –, and recent ones looking more closely at growth irrespective of country boundaries – 'fast expanding markets' (Esposito & Tse, 2013) –, the concept of 'fast-growth economies' hereby proposed is an attempt to build bridges across those categories, emphasizing the growth dimension – and particularly the determinants of such growth –, while sticking to the country as unit of analysis.

FGEs are defined as those countries that manage to achieve and sustain high economic growth, measured as average GDP growth rates over five consecutive years. For the purpose of this research, FGEs are identified for the Latin American and Caribbean region. Being by definition a comparative metric, the concept of FGE implies looking at GDP growth over time across countries, to spot those that manage to reach and sustain higher income growth over the five-year window. While the choices of growth rate and time window are debatable, we argue that in a context of very low – and often negative- growth rates, a five percent average increase is remarkable. Even if such exceptional mark could be occasionally achieved, the term FGE is coined to recognize the outstanding cases in which countries manage to average such high growth over a five-year period, to try to capture the challenges implied in sustaining such performance over time.

Leveraging on their superior growth rates, FGEs are better equipped to attract FDI, unlocking a virtuous circle of business environment improvements, likely increasing prosperity.

Methodology

Measuring fast growth

GDP at constant prices, i.e. adjusted for inflation, was collected from the International Monetary Fund (IMF) and World Bank websites, for the following set of countries in Latin America and the Caribbean:

Table 1. List of Latin American and the Caribbean countries measured

N°	Country	N°	Country	N°	Country
1	Argentina	9	Ecuador	17	Nicaragua
2	Barbados	10	El Salvador	18	Panama
3	Bolivia	11	Guatemala	19	Paraguay
4	Brazil	12	Guyana	20	Peru
5	Chile	13	Haiti	21	Suriname
6	Colombia	14	Honduras	22	Trinidad and Tobago
7	Costa Rica	15	Jamaica	23	Uruguay
8	Dominican Republic	16	Mexico	24	Venezuela

From the list above, the Compound Annual Growth Rate (CAGR) was calculated for the period 2007-2012 (with data up to 2011), by applying the following formula:

$$\mathrm{CAGR}(t_0, t_n) = (V(t_n)/V(t_0))^{\frac{1}{t_n - t_0}} - 1$$

- $V(t_0)$: start value, $V(t_n)$: finish value, $t_n - t_0$: number of years.

Compound Annual Growth Rate (CAGR) is a measure for the geometric mean that provides a steady rate of return over the time interval chosen. In other words, it is the rate at which an investment -or an economy in this case- would have grown if it grew at a constant rate over the time period. CAGR diminishes the effect of volatility of periodic returns that can make arithmetic means irrelevant. In the context of this study, such a formula is especially useful to inhibit the effect of the 2008 financial crisis. Following this method, the countries that record the highest growth rates are computed and listed in the table below:

Table 2. GDP at constant prices (in billions of national currency) and CAGR for top performers (World Economic Outlook Database, April 2013, IMF Website)

Country	2007	2008	2009	2010	2011	CAGR 2007 - 2011
Panama	17,084	18,813	19,538	20,994	23,272	8,034%
Peru	174,408	191,505	193,157	210,143	224,669	6,535%
Argentina	359,17	383,444	386,704	422,13	459,571	6,356%
Uruguay	471,38	505,207	517,422	563,446	595,564	6,020%
Dominican Republic	314,593	331,127	342,564	369,117	385,664	5,224%

Latin America and the Caribbean (LAC) Competitiveness Standings

In order to capture the drivers of competitiveness of fast-growing countries in the LAC region, it is worthwhile comparing the GCI and WCY indexes, so as to identify the competitiveness factors that led to the superior growth rates achieved by the FGEs listed above. The table below summarizes the competitiveness ranks and scores for 2013:

Table 3. LAC GCI and WCY ranks and scores (GCR, 2013; WCY, 2013)

Country	GCI 2013		WCY 2013	
	Rank	Score (out of 7,00)	Rank	Score (out of 100,00)
Antigua and Barbuda	N/A	N/A	N/A	N/A
Argentina	94	3,87	59	42,27
Barbados	44	4,42	N/A	N/A
Belize	N/A	N/A	N/A	N/A

Country	GCI 2013		WCY 2013	
	Rank	Score (out of 7,00)	Rank	Score (out of 100,00)
Bolivia	104	3,78	N/A	N/A
Brazil	48	4,40	51	53,00
Chile	33	4,65	30	67,99
Colombia	69	4,18	48	54,37
Costa Rica	57	4,34	N/A	N/A
Dominica	N/A	N/A	N/A	N/A
Dominican Republic	105	3,77	N/A	N/A
Ecuador	86	3,94	N/A	N/A
El Salvador	101	3,80	N/A	N/A
Grenada	N/A	N/A	N/A	N/A
Guatemala	83	4,01	N/A	N/A
Guyana	109	3,73	N/A	N/A
Haiti	142	2,90	N/A	N/A
Honduras	90	3,88	N/A	N/A
Jamaica	97	3,84	N/A	N/A
Mexico	53	4,36	N/A	N/A
Nicaragua	108	3,73	N/A	N/A
Panama	40	4,49	N/A	N/A
Paraguay	116	3,67	N/A	N/A
Peru	61	4,28	43	56,63
St. Kitts and Nevis	N/A	N/A	N/A	N/A
St. Lucia	N/A	N/A	N/A	N/A
St. Vincent and the Grenadines	N/A	N/A	N/A	N/A
Suriname	114	3,68	N/A	N/A
The Bahamas	N/A	N/A	N/A	N/A
Trinidad and Tobago	84	4,01	N/A	N/A
Uruguay	74	4,13	N/A	N/A
Venezuela	126	3,46	60	31,88
Total number of economies covered by the Reports	144		60	

It should be noted that LAC as a whole ranks relatively low compared to other regions. According to both indexes, the most competitive LAC economy is Chile. Both indexes concur on the least competitive economy of the region, Venezuela. The indexes also highlight the heterogeneity of the region when it comes to competitiveness.

In terms of depth and scope of coverage, the Global Competitiveness Report from the World Economic Forum emerges as the preferred tool to conduct this comparative study, as it covers 75 percent of the economies of Latin America and the Caribbean, while its counterpart only covers 16 percent of them.

FGEs competitiveness assessment

Pillar Analysis of the selected FGEs

In order to explore further the determinants of competitiveness of those LAC countries identified as FGEs, the average of their scores in each of the 12 pillars of the Global Competitiveness Report are compared relative to the average of the scores in the whole LAC region. As the GCR covers 24 economies in LAC, those will serve as a reference to understand the determinants in which the FGEs stand out. The scores for the FGEs, averages, and differences relative to the whole set of LAC displayed in the table below, show the pillars in which the FGEs outscore the rest:

Table 4. Determinants of competitiveness – FGE comparison

Pillars	Peru	Dominican Republic	Panama	Uruguay	Argentina	Average LAC	Average FGEs	Difference FGEs - LAC
01 - Institutions	3,44	3,21	3,92	4,63	2,85	3,52	3,61	0,09
02 - Infrastructure	3,51	3,02	4,82	4,40	3,58	3,60	3,87	0,27
03 - Macroeconomic environment	5,95	4,17	4,88	4,72	4,33	4,66	4,81	0,15
04 - Health and primary education	5,38	5,13	5,70	5,90	5,82	5,45	5,58	0,13
05 - Higher education & training	4,05	3,69	4,22	4,67	4,59	3,98	4,24	0,27
06 - Goods market efficiency	4,37	3,97	4,59	4,38	3,18	3,98	4,10	0,12
07 - Labor market efficiency	4,56	4,00	4,17	3,49	3,29	4,01	3,90	- 0,11
08 - Financial market development	4,46	3,74	4,88	3,81	3,18	3,94	4,01	0,07
09 - Technological readiness	3,57	3,68	4,87	4,44	3,85	3,71	4,08	0,37
10 - Market size	4,40	3,66	3,42	3,21	4,94	3,52	3,92	0,40
11 - Business sophistication	3,94	3,80	4,21	3,73	3,72	3,83	3,88	0,05
12 - Innovation	2,69	2,69	3,46	3,18	2,98	2,96	3,00	0,03

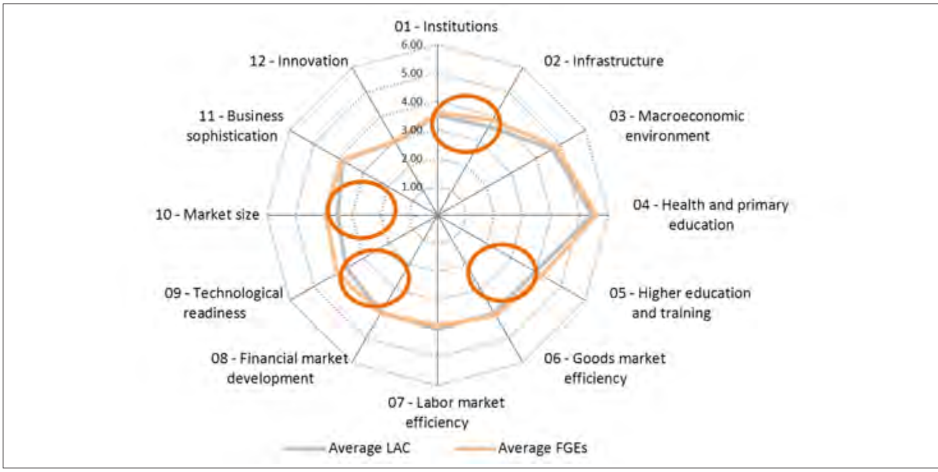

Figure 1. Determinants of competitiveness – FGE comparison (Global Competitiveness Report, 2013)

In terms of scores, the main differences between the LAC average and the FGEs average relate to market size, technological readiness, infrastructure, and higher education and training. The superior growth rate of the FGEs in the region is then likely to be driven by their higher performance in those three pillars. It should be noted that market size is hereby considered as a quasi-fixed, non-operational factor over the given timeframe, as we proceed to look further into the relationship between the pillars and GDP growth.

FGEs determinants

To better assess these preliminary findings, a regression analysis is carried out in order to further explore the contribution of each of the pillars to GDP growth. The purpose of this regression is to estimate the relative impact of those three pillars of the growth of such countries.

Contribution of the Pillars to Growth

Scope and data

The study analyzes 24 economies of Latin America and the Caribbean over the period 2006 to 2012. For this model, the logarithm base 10 of GDP per Capita at current prices in USD will be used as dependent variable.

In this study, the relationship between GDP per Capita and the pillar scores is expected to be exponential, as a small increase in overall competitiveness is likely to fuel large economic growth. It is, therefore, appropriate to use the log-form of GDP per Capita. All the pillars are expected to be positively correlated to growth, as each of them is core to competitiveness. A brief description of the variables computed in the regression is given below in Table 5.

Table 5. Descriptive statistics for all data points available (Global Competitiveness Report, 2013)

Category	Variable	Definition	Expected Sign
Dependent Variable	GROWTH	Log10 (GDP per Capita (Current USD))	N/A
Independent Variable	P1	1st pillar: Institutions (Score from 1 to 7)	+
Independent Variable	P2	2nd pillar: Infrastructure (Score from 1 to 7)	+
Independent Variable	P3	3rd pillar: Macroeconomic environment (Score from 1 to 7)	+
Independent Variable	P4	4th pillar: Health and primary education (Score from 1 to 7)	+
Independent Variable	P5	5th pillar: Higher education and training (Score from 1 to 7)	+
Independent Variable	P6	6th pillar: Goods market efficiency (Score from 1 to 7)	+
Independent Variable	P7	7th pillar: Labor market efficiency (Score from 1 to 7)	+
Independent Variable	P8	8th pillar: Financial market development (Score from 1 to 7)	+
Independent Variable	P9	9th pillar: Technological readiness (Score from 1 to 7)	+
Independent Variable	P10	10th pillar: Market size (Score from 1 to 7)	+
Independent Variable	P11	11th pillar: Business sophistication (Score from 1 to 7)	+
Independent Variable	P12	12th pillar: Innovation (Score from 1 to 7)	+

Regression model

The equation below reflects the regression model computed to estimate the impact of the pillars of economic growth:

$$Y = \alpha + \beta_1 P_1 + \beta_2 P_2 + \beta_3 P_3 + \beta_4 P_4 + \beta_5 P_5 + \beta_6 P_6 + \beta_7 P_7 + \beta_8 P_8 + \beta_9 P_9 + \beta_{10} P_{10} + \beta_{11} P_{11} + \beta_{12} P_{12} + F_i + \varepsilon$$

Y = Dependent Variable Log (GDP per Capita)
βx = Parameters associated with the Independent Variables Pillars
Px = Pillar Scores
Fi = Country-specific Fixed effects
E = Random Error term

Since this model exploits time series as well as cross-country figures, country-specific dummy variables are included in the equation. This choice is largely dictated by the moderately small set of countries in the analysis (N=24), which limits the study of cross-country differences. Fixed-effect models also hold significant benefits. Indeed, using dummy variables allows controlling for unobservable country features, to the extent that these are not expected to change over time. Attributes such as cultural environment or economic and political structure, vary among countries and could be challenging to quantify. Provided such country individual effects are assumed to remain constant over the time period of the analysis, they will be captured by country-specific dummies.

Descriptive statistics

As mentioned above, the sample used in this model consists of a group of 24 LAC countries over a 7-year period (2006-2012). With complete information, this combination should lead to 168 data sets. However, some pillar scores are unavailable for particular economies in different years, as they were not covered since the creation of the index –e.g. Haiti and Suriname were only covered in the two latest editions of the report. Moreover, the GDP per Capita used in the regression was sometimes an IMF estimate, as the latest data were not always released for each country. Table 6 summarizes the data available for the regression.

Table 6. Descriptive statistics for all data points available (Global Competitiveness Report, 2013)

Variable	N	Minimum	Maximum	Mean	Median
GROWTH	158	2,823	4,328	3,682	3,691
P1	158	2,362	5,286	3,513	3,513
P2	158	1,541	5,581	3,405	3,453
P3	158	2,255	6,153	4,563	4,667
P4	158	3,319	6,623	5,493	5,474
P5	158	1,899	5,378	3,811	3,828
P6	158	2,777	4,945	3,933	3,98
P7	158	2,877	4,962	4,037	4,096
P8	158	2,519	5,269	4,009	3,975
P9	158	2,147	5,141	3,359	3,342
P10	158	1,638	5,634	3,552	3,32
P11	158	2,772	4,651	3,849	3,899
P12	158	2,049	3,717	2,904	2,938

An interesting observation can be drawn from these statistics. As table 6 reveals, LAC economies have performed better during the period 2006–2012 in Pillar 4 (Health and Primary Education), and hold the worst score in Pillar 12 (Innovation). This is consistent with the fact that most of the region's economies are still Efficiency-Driven[1], and therefore tend to perform worst in Pillars 11 and 12.

Results and analysis

The results of regressing all explanatory variables against GROWTH are shown in Table 7 below. The coefficients and significance levels for the country dummy variables are included as well. The country dummy variable left out of the regression as a means of comparison is Argentina.

Table 7. Results (Global Competitiveness Report, 2013)

formula = (Log GDP per Cap ~ Country + P1 + P2 + P3 + P4 + P5 + P6 + P7 + P8 + P9 + P10 + P11 + P12)

Variable	Coefficient	Std. Error	t-value	Significance Level[2]		Predicted Sign?
P1	0,0538	0,03562	1,51	0,133535		Yes
P2	-0,01039	0,02338	-0,445	0,65743		No
P3	0,04488	0,01226	3,66	0,000373	***	Yes
P4	-0,12681	0,02151	-5,896	3,40E-08	***	No
P5	0,11188	0,03134	3,57	0,000511	***	Yes
P6	-0,03186	0,04638	-0,687	0,493356		No
P7	-0,06664	0,02694	-2,473	0,014767	*	No
P8	0,02204	0,02431	0,906	0,366473		Yes
P9	0,15284	0,02411	6,339	4,06E-09	***	Yes
P10	0,09357	0,03078	3,04	0,002899	**	Yes
P11	-0,02859	0,05909	-0,484	0,629399		No
P12	-0,03112	0,05037	-0,618	0,537877		No
(Intercept)	3,26411	0,26091	12,51	< 2e-16	***	N/A
Barbados	0,4432	0,11733	3,777	0,000246	***	N/A
Bolivia	-0,39154	0,06876	-5,695	8,71E-08	***	N/A
Brazil	-0,0349	0,05298	-0,659	0,51129		N/A
Chile	0,05471	0,07003	0,781	0,436171		N/A
Colombia	-0,10094	0,03811	-2,649	0,009147	**	N/A
Costa Rica	0,13168	0,06879	1,914	0,057937	.	N/A
Dominican Republic	-0,05559	0,05726	-0,971	0,333594		N/A
Ecuador	-0,07627	0,05277	-1,445	0,150953		N/A

[1] The GCR classifies economies into 3 stages of development: Factor-Driven economies mainly compete based on their factor endowments, Efficiency-Driven economies develop more efficient production processes leveraging on technological progress, while Innovation-Driven economies compete with new and/or unique products, services, processes, and models.

[2] Signifiance codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Variable	Coefficient	Std. Error	t-value	Significance Level		Predicted Sign?
El Salvador	-0,06493	0,07458	-0,871	0,385709		N/A
Guatemala	-0,19869	0,06201	-3,204	0,001728	**	N/A
Guyana	-0,01228	0,10218	-0,12	0,90457		N/A
Haiti	-0,66015	0,12	-5,501	2,11E-07	***	N/A
Honduras	-0,32871	0,07255	-4,531	1,38E-05	***	N/A
Jamaica	0,04637	0,08624	0,538	0,591759		N/A
Mexico	0,06927	0,04817	1,438	0,152977		N/A
Nicaragua	-0,31251	0,08584	-3,641	0,0004	***	N/A
Panama	0,08083	0,07277	1,111	0,268844		N/A
Paraguay	-0,10491	0,07941	-1,321	0,188947		N/A
Peru	-0,14843	0,04973	-2,985	0,003431	**	N/A
Suriname	0,4187	0,11676	3,586	0,000484	***	N/A
Trinidad and Tobago	0,5145	0,07543	6,821	3,71E-10	***	N/A
Uruguay	0,14871	0,08401	1,77	0,079198	.	N/A
Venezuela	0,19464	0,04184	4,653	8,39E-06	***	N/A
Dependent Variable:	GDP per Capita in Logarithm base 10					
Adjusted R-squared:	0,9801					
F-statistic	222,4					
p-value:	< 2,2e-16					

These results are deemed relevant for a number of reasons. With an adjusted R-squared of 0,98, this model arguably explained 98% of the variation in economic growth in many LAC economies. This statistic along with the sign and significance level of each variable reveal quite a lot about growth rates in the region. Out of the 12 variables, half returned the predicted sign and four were highly significant. It is also interesting to note that out of the three pillars that were believed to be responsible for the superior economic growth rate of the FGEs from the previous part of the study (P2, P5, and P9), 2 of them (P5 and P9) are highly significant and register the expected sign. Moreover, Pillar 9 displays the highest coefficient among all pillars, suggesting according to this model, that this pillar is the one that holds the biggest impact on the growth of Latin American economies.

In a log-linear model, the literal interpretation of the estimated coefficient β is that a one-unit increase in X will produce an expected increase in log (Y) of β units. In terms of Y itself, this means that the expected value of Y is multiplied by e^{β}. According to this log-linear model, each one-unit score increase in Pillar 9, multiplies the expected value of GDP per Capita by $e^{0,15284} = 1,1651$, which means that a one-unit change in the score of Pillar 9 translates into a nearly 17% increase in GDP per Capita.

Pillar 9 emerges then as the one with the most influence on GDP per Capita. We now dive a level deeper in the analysis, and try to identify exactly which of the factor(s) composing this pillar is the most correlated to economic growth.

Zooming in on Pillar 9

The study analyzes the same set of 24 economies of Latin America and the Caribbean over the same period (2006-2012). The data were taken from the World Economic Database of the International Monetary Fund and from the Global Competitiveness Database of the World Economic Forum. The dependent variable used in the regression is once again the GDP Per Capita at current prices in USD, while the independent variables are the factors of competitiveness composing Pillar 9 - Technology Infrastructure. As noted earlier, Pillar 9 is broken down into seven factors of competitiveness. However, "9.06 Internet Bandwidth" and "9.07 Mobile broadband Subscription" have only been included in the last two editions of the reports and will therefore not be taken into account in the regression analysis, as the number of observations at hand for these two variables is too low to obtain any significant results. Moreover, as previously mentioned, the GDP per Capita used as a dependent variable is sometimes an IMF estimate. All the factors are expected to be positively related to growth, as those factors are the driving forces of competitiveness identified by the World Economic Forum. Table 8 provides a brief overview of the data used in this model.

Table 8 - Descriptive statistics for all data points available - Pillar 9 (Global Competitiveness Report, 2013)

Category	Variable	Definition	Expected Sign
Dependent Variable	GROWTH	Log10 (GDP per Capita (Current USD))	N/A
Independent Variable	Factor1	Availability of latest technologies, 1-7 (best)	+
Independent Variable	Factor2	Firm-level technology absorption, 1-7 (best)	+
Independent Variable	Factor3	FDI and technology transfer, 1-7 (best)	+
Independent Variable	Factor4	Individuals using Internet, %	+
Independent Variable	Factor5	Broadband Internet subscriptions/100 pop.	+

The equation below reflects the regression model computed to estimate the impact of the components of this pillar on economic growth:

$$Y = \alpha + \beta_1 F_1 + \beta_2 F_2 + \beta_3 F_3 + \beta_4 F_4 + \beta_5 F_5 + F_i + \varepsilon$$

Y = Dependent Variable Log (GDP per Capita)

βx = Parameters associated with the Factors composing Pillar 9

Fx = Factors composing Pillar 9

Fi = Country Specific Fixed effects
E = Random Error term

Since this model runs time series as well as cross-country data, dummy variables for each country are also included. Moreover, both scores and national statistics are used as independent variables in the equation. Indeed, Factor1, Factor2, and Factor3 are scores between 1 and 7 derived from surveys, while Factor4 and Factor5 are statistics with different units of measurement. Table 9 below summarizes the data.

Table 9. Descriptive Statistics for all data points available - Pillar 9 (Global Competitiveness Report, 2013)

Variable	N	Minimum	Maximum	Mean	Median
GROWTH	157	2,823	4,328	3,684	3,694
Factor1	157	2,15	6,054	4,433	4,45
Factor2	157	3,04	5,606	4,509	4,552
Factor3	157	3,345	5,952	4,703	4,874
Factor4	157	2,397	5535,1	227,612	27,934
Factor5	157	0	22,396	3,915	2,179

The results of the linear regression of all the variables against GROWTH are shown in Table 10. The coefficients and significance levels for the country dummy variables are included as well. The country dummy variable left out of the regression as a means of comparison is Argentina.

Table 10. Results (Global Competitiveness Report, 2013)

formula = (Log GDP per Cap ~ Country + Factor1 + Factor2 + Factor3 + Factor4 + Factor5)

Variable	Coefficient	Std. Error	t-value	Significance Level[3]		Predicted Sign?
Factor1	5.985e-02	2.133e-02	2.806	0.005813	**	Yes
Factor2	6.282e-02	4.148e-02	1.515	0.132378		Yes
Factor3	-6.584e-02	2.623e-02	-2.510	0.013333	*	No
Factor4	-4.947e-06	8.480e-06	-0.583	0.560700		No
Factor5	1.033e-02	2.689e-03	3.839	0.000194	***	Yes
(Intercept)	3.543e+00	1.379e-01	25.690	< 2e-16	***	N/A
Barbados	1.271e-01	4.962e-02	2.562	0.011582	*	N/A
Bolivia	-5.244e-01	4.265e-02	-12.295	< 2e-16	***	N/A
Brazil	2.955e-02	4.517e-02	0.654	0.514228		N/A

3 Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Variable	Coefficient	Std. Error	t-value	Significance Level		Predicted Sign?
Chile	8.144e-02	4.754e-02	1.713	0.089155	.	N/A
Colombia	-9.347e-02	3.807e-02	-2.455	0.015430	*	N/A
Costa Rica	9.232e-03	5.297e-02	0.174	0.861931		N/A
Dominican Republic	-1.612e-01	4.354e-02	-3.703	0.000316	***	N/A
Ecuador	-1.879e-01	3.610e-02	-5.205	7.59e-07	***	N/A
El Salvador	-2.909e-01	3.780e-02	-7.696	3.42e-12	***	N/A
Guatemala	-4.057e-01	4.477e-02	-9.060	1.98e-15	***	N/A
Guyana	-3.776e-01	3.714e-02	-10.166	< 2e-16	***	N/A
Haiti	-9.122e-01	5.377e-02	-16.965	< 2e-16	***	N/A
Honduras	-4.929e-01	4.292e-02	-11.484	< 2e-16	***	N/A
Jamaica	-2.021e-01	4.125e-02	-4.900	2.87e-06	***	N/A
Mexico	1.369e-01	4.264e-02	3.212	0.001673	**	N/A
Nicaragua	-5.878e-01	3.685e-02	-15.950	< 2e-16	***	N/A
Panama	-4.400e-02	5.148e-02	-0.855	0.394312		N/A
Paraguay	-3.610e-01	3.803e-02	-9.491	< 2e-16	***	N/A
Peru	-1.560e-01	4.296e-02	-3.632	0.000407	***	N/A
Suriname	5.485e-02	5.292e-02	1.037	0.301910		N/A
Trinidad and Tobago	3.653e-01	4.132e-02	8.840	6.75e-15	***	N/A
Uruguay	1.051e-01	4.458e-02	2.358	0.019884	*	N/A
Venezuela	1.406e-01	3.435e-02	4.093	7.53e-05	***	N/A
Dependent Variable:	GDP per Capita in Logarithm base 10					
Adjusted R-squared:	0,9639					
F-statistic	148,5					
p-value:	< 2,2e-16					

This model arguably explains over 96% of the variation in GDP per Capita. From these results, three out of the five independent variables reported the expected sign, and two of them display a significance level below 1%. The factor "Availability of latest technologies" and "Broadband Internet Subscriptions" hold a low p-value and a positive coefficient. Most of the dummy variables attributed to the economies are also highly significant.

According to this model, a one-point score increase in terms of "Availability of latest technologies" (Factor1) would lead to a 6% increase in GDP per Capita, while a one-point increase in terms of "Broadband internet Subscriptions" (Factor5) would lead to a 1% increase in GDP per Capita. Taking into account the fact that Factor5 is a rate between 0 and 100, while Factor1 is only measured on a scale from 1 to 7, it appears that it is factor5 that holds the biggest impact of the two on economic growth. Moreover, it could be argued that a one-point increase in the broadband penetration rate is a lot easier to attain than a one-point increase in the score of "Availability of latest technologies[4]", which requires both deep structural changes and a lengthy perceptional evolution, as the score is derived from a WEF survey question.

Showing the lowest p-value and the biggest impact, "Broadband Internet Subscriptions" appears as the key factor of the Pillar driving economic growth in the region. That relationship is graphically represented in the figures 2 and 3 below:

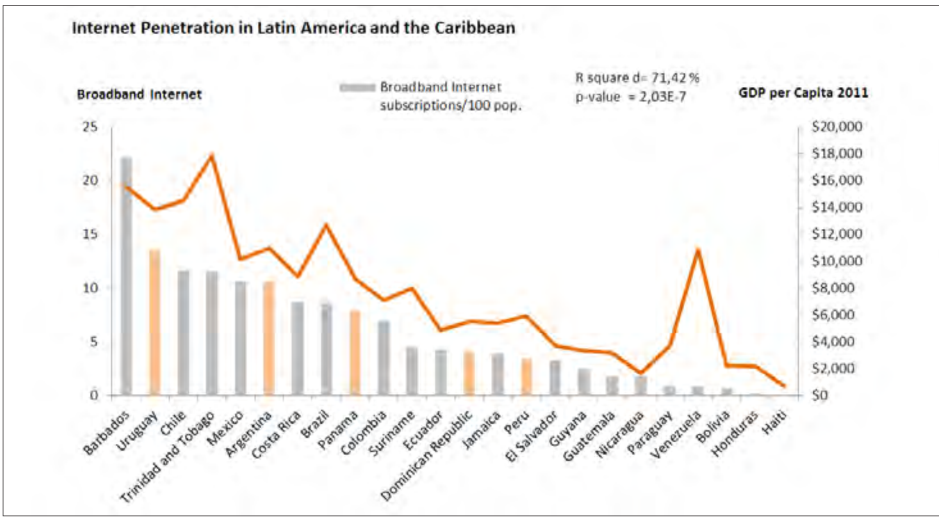

Figure 2. Fixed Broadband Penetration – The Key to Competitiveness (Global Competitiveness Report, 2013)

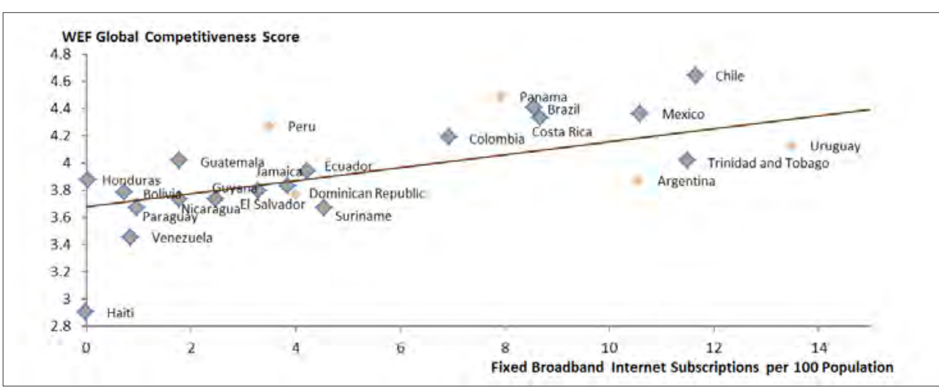

Figure 3. Correlation Fixed Broadband Penetration and Competitiveness (Global Competitiveness Report, 2013)

4 The Factor1 score is derived from the results of the survey question: 'To what extent are the latest technologies available in your country?'

The United Nations in its Millennium Development Goals points at Internet penetration as a crucial metric in the efforts to diminish poverty and foster sustainable development (United Nations, 2008). An increasingly important part of the social and economic life of people around the world is becoming digital, and therefore, a fast and reliable internet connection has turned into a crucial and basic need. As electricity was a century ago, a reliable internet connection is now part of the foundations that support economic growth, competitiveness, and prosperity. The broadband likely transforms and enhances the activities carried out by every economic actor, providing nations with the capacity to create and develop new comparative and competitive advantages. Indeed, the World Bank considers that broadband holds a "significant impact on growth and deserves a central role in the country development and competitiveness strategies" (World Bank, 2009). The essence of its impact stems from industries increasing their productivity, creating more jobs, developing living standards, and generating economic growth through its adoption. Multiple studies specific to the Latin American and the Caribbean region argue for the crucial impact of broadband on competitiveness, employment, and economic growth. Among them, a 2012 study from the Inter-American Development Bank states that LAC economies that boost broadband penetration by 10 percent are likely to experience related surges of 3,19% in GDP, 2,61% in productivity, and generate 67.016 new jobs (Zaballos & López-Rivas, 2012). Furthermore, the study underlines the multiplier effect of broadband, which generates proportionally incremental contributions to GDP, employment, and growth, as the penetration rate increases.

Conclusions, limitations and future research

Despite the extensive available literature on competitiveness, both its definition and assessment methods remain underexplored, as different views, concepts, and levels of analysis co-exist. The factors that drive productivity and competitiveness are multiple, complex and different in nature, but remain crucial to economies in their efforts to increase prosperity.

This study aims at untangling the key factors of competitiveness that are arguably the drivers of higher growth rates in Latin American and the Caribbean economies, using FGEs as a basis of comparison. The key findings of this research intend to contribute to the existing literature on competitiveness and might provide both corporate and public sector decision-makers with additional inputs to implement effective policies and reforms that could spur growth. While the multiple regression models used in this study might stand as relatively simple, its findings are likely to add new insights to the debate on growth and competitiveness, which currently dominates the discourse of managers and policy-makers in the region. Indeed, the theory associated with fixed effects linear regression is well understood, and the results of this study would, therefore, stay relatively easy to grasp and interpret to anyone interested in the topic.

Following a top-down approach to competitiveness on the basis of the Global Competitiveness Report framework centered around 114 key determinants –the factors that make up the 12 pillars-, the empirical findings suggest that technological readiness, and more precisely broadband penetration bear significant impact on the LAC countries' economic growth. Broadband benefits are major and robust, boosting productivity across industries and paving the way to increased prosperity. Its transformative capacity as an enabler of economic and social development makes it an indispensable instrument for empowering individuals, shaping an environment that cultivates technological and service innovation. Whether this potential to support competitiveness and economic growth is fully unleashed will ultimately depend on the capacity of firms to implement broadband across their value chains –potentially eased by a well-functioning business environment shaped by the policy maker. Indeed, seizing the broadband opportunity requires fostering a supportive environment through policies and reforms, investments, and private-public coordination. In Latin America and the Caribbean, broadband penetration rates differ significantly from one country to another, while remaining much lower than in more industrialized economies. Some countries, such as Uruguay, have already embraced the broadband as a key factor of competitiveness, and are starting to reap the benefits. Other economies are putting into place major plans to develop the required infrastructure and increase the penetration rate. For example in October 2010, Argentina launched a USD 1,8 billion national plan known as *Argentina Conectada* (Argentina Connected), with the purpose of propelling Internet access in the country, extending broadband coverage, as well as improving speed and quality of the service, with a special focus on rural areas. For the first time in July 2013, the Broadband World Series took place in Latin America, in Sao Paulo, which is another signal that the region, though at asymmetric speeds, is increasingly grasping and unlocking the value of broadband.

On the back of this study, multiple leads for future research could follow suit. First of all, it would be relevant to assess the key determinants of competitiveness of different regions, so as to verify whether broadband penetration consistently remains central to competitiveness in other parts of the world. Furthermore, in Latin America, once longer periods of data become available, the contribution to economic growth of the two factors of Pillar 9 hereby left out due to insufficient data (Internet Bandwidth and Mobile broadband Subscription) could be also analyzed to complement this research. Another relevant study could explore the same region but use a different competitiveness framework. Applying different frameworks would be an interesting way to look at the same topic through a different lens and avoid potential biases arising from the exploitation of this index.

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Exploring the Relation between National Competitiveness and Economic Growth: the Case of CEE EU Member States

Romana KOREZ VIDE

Introduction

One of the key factors explaining an economy's growth potential, which determines the pace of economic recovery, is productivity of a country. A country with higher productivity obtains higher rates of returns on investment, which are the fundamental drivers of economy's growth rates. The productivity of a country also determines its ability to sustain a high level of income and herewith the level of a country's prosperity (see Lewis, 2004), which indirectly influences its rates of economic growth. The level of productivity and an economy's growth potential, respectively, can be explained by the concept of competitiveness. There exist a broad debate among politicians and scholars about the meaning and components of this concept. Boltho (1996) explains it as an ability of an economy to secure a higher standard of living than comparable economies, whilst Porter (1998) argues that the only meaningful concept of competitiveness is national productivity. The World Economic Forum's (WEF) Global Competitiveness Index (GCI) (Schwab & Sala-i-Martin, 2013), which has been extensively referenced as a credible metric instrument of national competitiveness, is based on the Porter's (1998) definition. According to this definition, a country's competitiveness is a set of macroeconomic and microeconomic factors that determine its productivity and economic growth, respectively.

In this paper, we explore the relations between national competitiveness, as defined by Schwab and Sala-i-Martin (2013), and its economic growth, measured by gross domestic product (GDP) per capita. The empirical analysis is conducted on a sample of Central and Eastern European (CEE) EU member states[1] that had similar political past

[1] Authors variously define Central and Eastern European Region. According to OECD (2014) definition, this region comprises Albania, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia,

and herewith comparable opportunities of socio-economic development. The latter have been increased by the transformation of political systems in the beginning of 1990s and by the accession of these countries to the EU in the last two decades. According to Labaye et al. (2013), these economies established a record of growth and economic progress that few regions have matched since from the early 1990s to the onset of the global financial crisis in 2008. Since the existent analyses of CEE countries' competitiveness focus on one or two competitiveness dimensions (e.g. Wilinski, 2012; Petrariu, Bumbac & Ciobanu, 2013), discuss competitiveness in one particular year (e.g. Gardiner, Ron & Tyler, 2004; European Commission, 2014), or evaluate competitiveness for selected CEE countries (e.g. Niessner, 2013), there is no comprehensive insight into the progress and regression of all competitiveness dimensions in a longer period and their possible impacts on CEE EU member states' economic growth rates. Therefore, we estimate the topic of our empirical analysis as highly relevant.

The paper is structured as follows: in Section 2, we conceptualize national competitiveness and its impacts on economic growth and productivity, respectively, as well as the importance of each competitiveness pillar according to the country's stage of development. Section 3 comprises the explanation of methodology and data gathering, as well as the formulation of hypotheses. In Section 4, empirical analysis is conducted and the hypotheses are tested. In Section 5, we discuss the empirical findings and their applicability in the observed countries.

Competitiveness pillars and economic growth

According to Schwab and Sala-i-Martin (2013), national competitiveness is a set of twelve pillars, structured into three groups - basic requirements, the sources of efficiency and the innovation and business sophistication factors. All twelve pillars tend to reinforce each other, and a weakness in one area often has a negative impact on others. All of the pillars matter to a certain extent for all economies, however, due to different stages of countries' development, they affect them in different ways. The basic requirements are critical for countries in the factor-driven stage, the efficiency enhancers are important for countries in the efficiency-driven stage, based on the innovation and sophistication factors, however, compete for the countries in the innovation-driven stage. All countries falling in between two of the three stages are considered to be »in transition«. For each of the twelve pillars of a country's competitiveness, there is empirical evidence about their impact on economic growth.

Lithuania, Poland, Romania, Slovak Republic and Slovenia. The empirical analysis of our paper is conducted on the sample of eleven CEE EU member states.

The quality of a country's *institutions*, which can be determined by the legal and administrative framework within which individuals, firms, and governments interact to generate wealth, has been proven as a factor of economic growth by several studies (e.g. North, 1989; Rodrik, Subramanian & Trebbi, 2004). According to Miller, Kim and Holmes (2014) public institutions can impose significant economic costs to businesses and slow the process of economic development (e.g. excessive bureaucracy and red tape, overregulation, corruption, dishonesty in dealing with public contracts, lack of transparency, inability to provide appropriate services for the business sector, improper management of public finances and political dependence of the judicial system). Besides public institutions, good governance of private institutions and maintenance of investor and consumer confidence is also an important element of the process of creating wealth (see Zingales, 1998).

The quality and extensiveness of *infrastructure* networks integrate the national market and connect it at low cost to markets in other countries, enable businesses to get their goods and services to market in a secure and timely manner, allow for a rapid and low cost flow of information, determine the location of economic activities, facilitate the movement of workers, prevent interruptions and shortages of energy supplies etc. Their impact on economic growth has been identified for example by Calderon and Serven (2004).

Although the literature (e.g. Fischer, 1993) finds only weak effects of *macroeconomic stability* on productivity and growth, there are clear evidence about its impact on short-term economic activity: the impacts of low and moderate levels of inflation are studied for example by Goodfriend (2007) and Temple (2000), the impacts of public debt levels are examined for example by Reinhart and Rogoff (2010) and the impacts of the level of taxes, structure of taxation and the way government spends money are studied for example by Johansson, Heady, Arnold, Brys, and Vartia (2008).

Healthy workers are vital to a country's productivity, thus, investment in the provision of *health services* is a critical factor in economic development and growth, respectively (see Sachs, 2001). *Basic* and *higher education* received by the population increase the workers' efficiency and are also key factors for economies that want to move up the value chain (see Barro, 2002; Schwab & Sala-i-Martin, 2013).

Goods market efficiency is related to the production of the right mix of products and services, given a country's particular supply-and-demand conditions, as well as to the effectiveness of trading with these goods (Schwab & Sala-i-Martin, 2013). The best possible environment for the exchange of goods requires high levels and the vitality of market competition (see Carlin, Schaffer & Seabright, 2005) and a minimum of government intervention that impedes business activity (see Branstetter, Lima, Lowell & Venancio, 2010). Openness to international competition, via trade and investment, enables a country to improve productivity, expand the most productive local industries and access more advanced knowledge and technology from abroad (see Baldwin, 2003; Dollar & Kraay, 2003; Branstetter, 2006; Delgado, Ketels, Porter & Stern, 2012). Market efficiency also depends on demand conditions, such as customer orientation and buyer sophistication (see Porter, 1998). More demanding customers force companies to be more innovative and customer-oriented and thus impose discipline necessary for market efficiency.

To achieve *labor market efficiency* the workers have to be allocated to their most effective use in the economy and provided with incentives to give their best effort in their jobs. Thus, labor market supports economic growth if it is flexible to shift workers from one economic activity to another rapidly and at low cost, and allows for wage fluctuations without much social disruption (see Kaplan, 2009).

Efficient access to capital is important for companies to make the long-term investments needed to raise productivity levels (see Levine, 2005). Thus, *financial market development* is reflected in the allocation of financial resources to those entrepreneurial or investment projects with the highest expected rates of return rather than to the politically connected. Furthermore, it is reflected in its sophistication, which enables the provision of capital from various sources (see Schwab & Sala-i-Martin, 2013). In order to fulfill all those functions, financial markets need appropriate regulation to protect investors and other actors in the economy.

For an economy to prosper it is important to be agile with adopting existing technologies to enhance the productivity of its industries (see Barro & Sala-i-Martin, 2012). Thus, contemporary *technological readiness* is reflected in the information-communication technology (ICT) access and usage.

Market size, as one of a country's endowments, affects productivity by the opportunities for achieving economies of scale. In the era of globalization, international markets have become a substitute for domestic markets, especially for small countries. Thus, exports and the membership in the regional integration can be thought of as a substitute for domestic demand in determining the size of the market for a country's companies. The effects of a country's international markets on a country's productivity are evidenced for example by the study of Parteka and Wolszczak-Derlacz (2013).

Business sophistication, which concerns the quantity and the quality of local suppliers, service providers and associated institutions in a particular field and the extent of their interactions, raises productivity due to higher efficiency, creation of greater opportunities for innovation in processes and products and reduction of entry barriers for new firms (see Delgado, Porter & Stern, 2010). Several empirical studies confirm the importance of companies operations and strategies for productivity (e.g. Bloom & Van Reenen, 2007).

The positive impact of *technological innovation* (including institutions and policies supporting innovation) on productivity has been empirically proven for example by Furman, Porter, and Stern (2002). According to Romer (1990), technological innovation is particularly important for economies, which cannot anymore improve their productivity only by integrating and adapting exogenous technologies.

Methodology, data, and hypotheses

This paper is a macroeconomic dynamic research, based on the secondary data. The calculations of average growth rates of competitiveness indices, labor productivity and GDP per capita for each of the CEE EU member states are followed by comparative analyses of these variables for the discussed countries and by the exploration of relations between variables. Since the last economic and financial crisis differently harmed various economies and co-shaped the economies' growth prospects, we researched the trends of the above-mentioned variables in the period from 2008 – 2013. The data were collected from the World Economic Forum's Global Competitiveness Reports and Eurostat Database.

On the basis of the set theoretical background, where we have argued the concept of a country's competitiveness and its relation to productivity and economic growth, respectively, as well as the importance of various components of competitiveness according to the country's stage of development, we formulate the following hypotheses:

H1: The growth of national economy's labor productivity, as one of the major driver of economic growth, and the growth of national economy's competitiveness are related.

H2: The growth of national economy's GDP per capita and the growth of national economy's competitiveness are related.

Empirical analysis

In the first part of the empirical analysis, we have compared the GDP per capita, the growth of labor productivity and the growth of real GDP per capita in CEE EU member states in the 10 years period.

From the Table 1 it is evident that the highest growth of GDP per capita 2004-2013 (EU28=100) in relation to the other 10 CEE EU Member States have recorded four transition CEE EU Member States (Lithuania (12.3%), Latvia (11.3%), Slovak Republic (9.7%), Poland (6.8 %)) and one innovation-driven economy (Estonia (5.4%)).

Table 1. Deterioration/improvement of GDP per capita 2013/2004 (EU28=100) of CEE EU member states (Eurostat, 2014)

Country	Stage of development	GDP p.c. 2004 (EU28=100) (%)	GDP p.c. 2004 (EU28=100) – av. GDP p.c. 2004 of 10 CEE EU MS (EU28=100) (%)	GDP p.c. 2013 (EU28=100) (%)	GDP p.c. 2013 (EU28=100) – av. GDP p.c. 2013 of 10 CEE EU MS (EU28=100) (%)	Deter./Impr. of GDP p.c. (EU28=100) 2013/2004 according to av. GDP p.c. 2013 (EU28=100) of 10 CEE EU MS (%)
Bulgaria	Efficiency-driven	34,0	-23,7	40,0	-28,3	-4,6
Romania		34,0	-23,7	43,0	-25,0	-1,3
Croatia	Transition	57,0	+1,6	60,0	-6,3	-7,9
Hungary		62,0	+7,1	66,0	+0,3	-6,8
Latvia		48,0	-8,3	68,4	+3,0	+11,3
Lithuania		50,0	-6,1	71,2	+6,2	+12,3
Poland		49,0	-7,2	65,3	-0,4	+6,8
Slovak Republic		57,0	+1,6	76,0	+11,3	+9,7
Estonia	Innovation-driven	55,0	-0,6	69,5	+4,8	+5,4
Czech Republic		79,0	+25,8	81,1	+17,1	-8,7
Slovenia		86,0	+33,5	82,0	+17,9	-15,6

Notes: p.c. – per capita; av. – average; MS – Member States; deter. – deterioration; impr. – improvement.

The highest deterioration of this variable, however, have recorded two innovation-driven economies (Slovenia (-15.6%), Czech Republic (-8,7%)) and two transition countries (Croatia (-7.9%), Hungary (-6.8%)).

From the Figure 1 is evident that the trends of the growth of labor productivity and the growth of GDP per capita are very similar. In the countries with small or no differences in the growth rates of these two indicators, labor productivity trend better explains the growth of GDP per capita and vice versa. Due to the time lag in the impacts on economic growth, we suppose that the labor productivity growth, considering also different contributions of the other drivers of economic growth (endogenous and exogenous), is reflected only in the long-term growth of GDP per capita[2]. Herein we can search for the explanation of inconsistencies in average growth rates of the two compared variables in the observed period of time, which are evident from Figure 1.

[2] In our research we were limited with unavailable data on labor productivity and on the other drivers of growth (except labor) for all CEE EU member states and for a longer period of time.

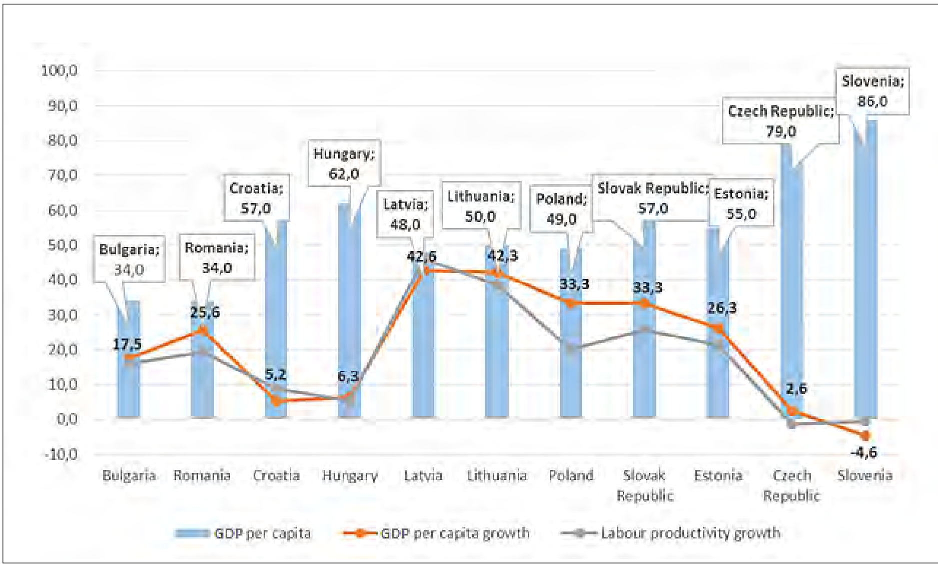

Figure 1. GDP per capita (2004), average growth of GDP per capita and average growth of labor productivity in the period 2004-2013 (Eurostat, 2014)

Notes: GDP per capita (EU28=100), labor productivity per person employed (EU27=100).

In the second part of the empirical analysis, we have compared the average Global Competitiveness Index (GCI) scores of eleven CEE EU member states and average growth of these scores in the period from 2008 – 2013. The goal of this comparative analysis was to find out the state of competitiveness of these countries after the beginning of the financial and economic crisis and the pillars of competitiveness, on which each country has recorded improvement or deterioration in the observed period of time.

Figure 2 shows that the highest average levels of competitiveness in the period from 2008-2013 achieved the Czech Republic and Estonia. It is also evident that Lithuania and Poland, classified as transition countries, achieved the same average level of competitiveness as Slovenia, which is classified among the countries at the innovation-driven stage of development. The latter indicates the higher progress of Poland and Lithuania. The same observation is valid for Bulgaria that achieved the same average level of competitiveness as Latvia and Slovak Republic, although its level of development is lower. Similarly, Romania, which is classified among countries at the efficiency-driven stage of development, recorded the same average level of competitiveness as Croatia, which is ranked among transition countries.

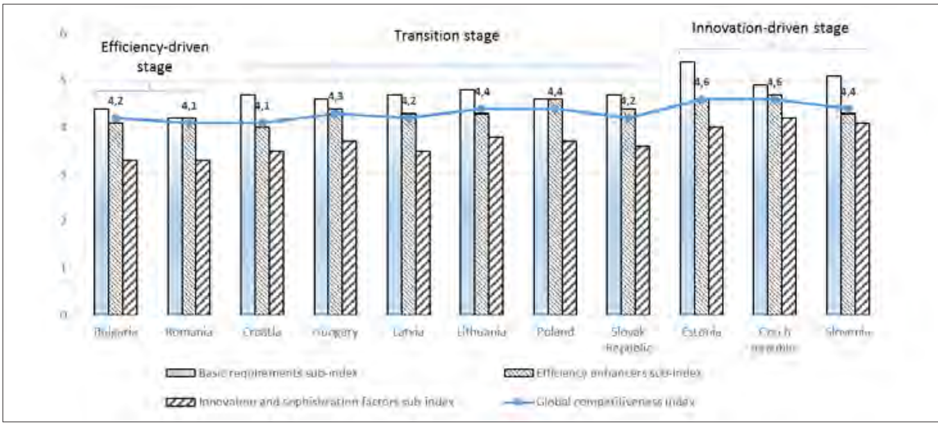

Figure 2. Average global competitiveness of CEE EU member states (WEF, 2008-2013)

Notes: see Schwab & Sala-i-Martin (2013, p.10) for the classification of countries according to their level of development and for the sub-indices weights in the GCI according to the stage of development.

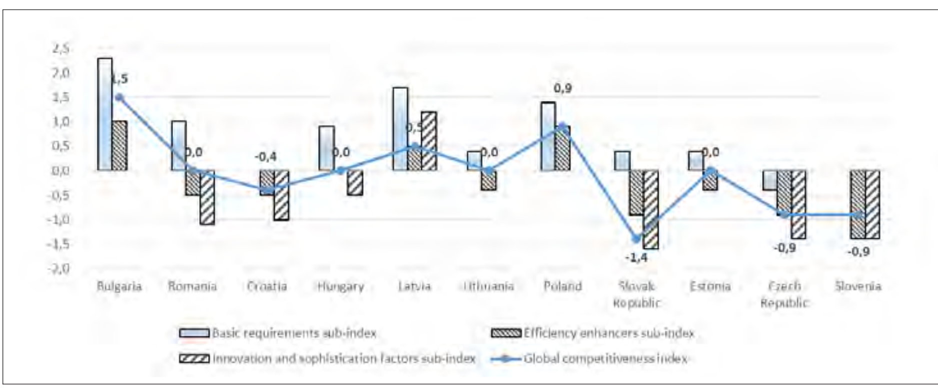

Figure 3. Average growth of global competitiveness of CEE EU member states (WEF, 2008-2013)

Figure 3 reveals the average growth levels of total competitiveness and the average growth levels of three groups of competitiveness pillars for CEE EU member states. Herewith we gain an insight into the main fields of progress and regression in the competitiveness of CEE EU member countries in the observed period of time. The Czech Republic worsens its position in all three groups of competitiveness factors; the highest decrease evidenced the group of innovation and sophistication factors, which endangers the Czech Republic's further growth prospects with regard to its achieved stage of development. Very similar observation is valid for Slovenia, that recorded deterioration not only in the most important group of competitiveness pillars according to its level of development – innovation and sophistication factors -, but also in the field of efficiency factors, which represent the foundations for the conclusion of a country's transition period.

Among the transition countries, the data show that the worst position has achieved the Slovak Republic. The other transition countries (with the exception of Croatia) either maintained their prior level of competitiveness (Hungary and Lithuania) or improved it (Poland and Latvia). According to these data, one of the two CEE EU member countries at the efficiency-driven stage of development - Bulgaria – outperformed all other countries in the field of average competitiveness growth in the observed period of time.

Table 2 is the synthesis of the state of competitiveness of CEE EU member states in the period from 2008 to 2013. The findings are the following: Latvia and Bulgaria have recorded improvement at the highest number of competitiveness pillars - 11 (Latvia) and 9 (Bulgaria) -, Poland and Estonia have each improved 7 pillars, Hungary and Lithuania have each improved 6 pillars, Romania, Croatia and Slovenia have recorded improvement each at 4 pillars, and Slovak and the Czech Republic have each improved 3 pillars. The best position has achieved Latvia, which has improved all three competitiveness components – basic requirements, efficiency enhancers and innovation and sophistication factors -, the worst position has, however, achieved the Czech Republic, which has deteriorated all three competitiveness components. If we have a look at the whole picture of competitiveness of CEE EU member states in the observed period of time we – take into consideration also the intensities of changes (see Figure 3) and the total competitiveness of each of the three competitiveness components – we can rank these countries according to their average competitiveness in the observed period of time (see last column in the Table 2).

Table 2. The synthesis of the state of competitiveness of CEE EU member states (WEF, 2008 – 2013)

Economy	Basic requirements					Efficiency enhancers							Innovation and sophistication factors			Rank
	Tc	Ins	Inf	Me	Hpe	Tc	Het	Gme	Lme	Fmd	Tr	Ms	Tc	Bs	In	
Bulgaria	Im	+	+	+	+	Im	+	+	Un	-	+	+	Un	-	+	1
Romania	Im	-	+	+	Un	De	+	-	Un	-	-	+	De	-	-	7
Croatia	Un	-	+	-	-	De	+	-	-	-	+	+	De	-	-	8
Hungary	Im	-	+	+	+	Un	+	Un	Un	-	+	Un	De	-	+	4
Latvia	Im	+	+	+	+	Im	+	+	+	-	+	+	Im	+	+	2
Lithuania	Im	-	+	-	+	De	+	-	-	-	+	+	Un	-	+	6
Poland	Im	+	+	-	+	Im	+	+	-	-	+	+	Un	-	Un	3
Slovak Republic	Im	-	+	-	+	De	Un	-	-	-	-	+	De	-	-	11

Economy	Basic requirements					Efficiency enhancers							Innovation and sophistication factors			Rank
	Tc	Ins	Inf	Me	Hpe	Tc	Het	Gme	Lme	Fmd	Tr	Ms	Tc	Bs	In	
Estonia	Im	+	+	+	+	De	Un	-	+	-	-	+	Un	-	+	5
Czech Republic	De	-	+	-	-	De	-	-	-	-	+	+	De	-	-	10
Slovenia	Un	-	+	-	-	De	+	-	-	-	+	+	De	-	-	9

Notes: Tc – total competitiveness, Ins – institutions, Inf – infrastructure, Me – macroeconomic environment, Hpe – Health and primary education, Het – higher education and training, Gme – goods market efficiency, Lme – labor market efficiency, Fmd – financial market development, Tr – technologic readiness, Ms – market size, Bs – business sophistication, In – innovation, Im – improvement, Un – unchanged, De - deterioration

Table 3. Rankings of CEE EU Member Countries according to labor productivity, GDP per capita and global competitiveness (Eurostat, 2014; WEF, 2008-2013)

	LP rank	C rank	LP rank – C rank	GDP p.c. rank	GDP p.c. rank – C rank
Bulgaria	7	1	6	7	6
Romania	6	7	(-)1	6	(-)1
Croatia	8	8	0	9	1
Hungary	9	4	5	8	4
Latvia	1	2	(-)1	1	(-)1
Lithuania	2	6	(-)4	2	(-)4
Poland	5	3	2	3	0
Slovak Republic	3	11	(-)8	4	(-)7
Estonia	4	5	(-)1	5	0
Czech Republic	11	10	1	10	0
Slovenia	10	9	1	11	2
			AVDR: 2.7		AVDR: 2.4

Notes: LP – labor productivity, C – competitiveness, AVDR – average differences in ranks.

If we compare the competitiveness rankings of these countries with their labor productivity growth rankings and GDP per capita growth rankings (Figure 1 and Table 3) we can see that seven out of the eleven countries recorded low differences in these rankings (0 to 2 places) and that the lower average differences are recorded between the GDP per capita growth rankings and competitiveness growth rankings (2.4). We estimate the 24% and 27% of differences between the rankings as the low levels and herewith we confirm our two hypotheses:

H1: The growth of national economy's labor productivity, as one of the major driver of economic growth, and the growth of national economy's competitiveness are related.

H2: The growth of national economy's GDP per capita and the growth of national economy's competitiveness are related.

Discussion and conclusion

The key goal of this paper was to find out if a country's competitiveness and its economic growth are related. Based on calculations of average growth rates and determination of ranks and their congruity we have confirmed the relation between a country's competitiveness and its economic growth. Similar observation was found for example by Dobrinsky and Havlik (2014). The findings show that especially some transition CEE EU Member States have recorded high growth of GDP per capita in the observed periods, which is accompanied by their higher competitiveness, and that some innovation-driven CEE EU Member States have deteriorated their positions in this regard. In general, each country has to put the emphasis on the development of those competitiveness pillars that are the most important for the country's level of development. However, as all competitiveness pillars are mutually dependent, a country should not neglect the development of the others. Our research has shown main gaps in the competitiveness of each observed country and thus, it can be used as a rough analytical foundation for deliberation of measures in the areas, where severe changes are necessary. The less promising findings for some countries demand fast responses. If they will not search the leverages for their economic impetus in the reforms of their political and economic structures, which hampers their competitiveness and development, the outlook for their economic recovery in the turbulent regional and international political and economic environment is unenviable.

As the key limitation of our research, we see the fact, that the Global Competitiveness Index is a composite indicator, composed also of proxy indicators, and according to the set methodology. Possible limitations can be also the simple research methodology and the small sample of observed countries.

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Integrating Institutional Theory with Market Orientation to Study SMEs in Transition Economies: a Conceptual Model

Kathleen WELSH VOGES, Daniel GLASER-SEGURA

Introduction

The presence of a market orientation in an organization is based on the competitively strategic participation of its actors across all functional areas to identify and address customer needs (Day, 1994). A market orientation presence has been found to be positively related to organizational performance (e.g. Kirca, Jayachandran & Bearden, 2005; Jaworski & Kohli, 1993; Slater & Narver, 1994). The research stream over the past 25 years includes the exploration of its presence in multiple organizational forms including for-profit, not for profit and public sector organizations, as well as diverse economic settings (Barberis, Boycko, Shleifer & Tsukanova, 1996; Kirca, Bearden & Roth, 2011). In addition, while there are variations of the model (Deshpandé, Farley & Webster, 1993; Kohli & Jaworski, 1990; Narver & Slater, 1990), the common presentation is a relationship between key internal antecedent conditions such as leadership, and organizational dynamics and systems, and the presence of market orientation (Kirca et al., 2005; Lancaster & Velden, 2004). That is, the focus has been to identify *what* internal conditions lend toward the presence of a market orientation.

Not surprisingly, as is the case with the development of any research stream, the market orientation literature also presents noted shortcomings. Kirca et al. (2005) encourage a better understanding of *how* market orientation antecedents interact by way of exploring contextual differences. There is also a lack of longitudinal study which leads to the inability to capture the dynamics of change (Gebhardt, Carpenter & Sherry, 2006), as well as an absence of theory development which considers the role of external environment conditions in developing a market orientation (Gebhardt et al., 2006; Qu & Ennew, 2005). While external environmental conditions in an established market driven economy may not be a significant driver in the development of a market orientation, as suggested by Qu and Ennew (2005) organizations in transition economies may have a greater sensitivity to external conditions as there is a shift from a centrally planned to a market-oriented economic structure (World Bank, 2016).

The prominence of business organizations operating in transition economic settings, which account for one-third of the world's population, has increasingly played an influential dynamic in global trade (World Bank, 2016). The transition is exemplified through the implementation of privatization agenda emphasized during the latter portion of the 20th century and continuing into the 21st century (Althaus, 2016; Desai &Wheeler, 2016; Ramamurti, 1999). Tushman, Newman, and Romanelli (1986) describe privatization as a "frame breaking" change strategy, while Ramamurti (2000) presents that successful privatization is dependent on factors such as the quality of market-supporting institutions, which are simultaneously in a state of flux. These conditions suggest that the state of *external institutional* level drivers may be of particular interest to enrich understanding of a market orientation in organizations embedded in this context. Further, sensitivity to institutional level changes in transition economies may be especially relevant for small and medium-sized organizations (SMEs) which oftentimes do not enjoy a continuation of state subsidy as compared to larger more monopolistic organizations, but are found to be the main competitiveness generators (e.g. Ahrend & Martins, 2003; Mackic, Peric & Soric, 2014; McIntyre, 2001). Thus, the purpose of our paper is to present a conceptual research model focused on SMEs in transition economies.

Given a gap in theoretical development, we consider using a middle range theory approach. In particular, we consider the meta-analysis findings of Kirca et al. (2005) for relevant perspective derived from market orientation literature, and the presentation of Greenwood and Hinings (1996) for relevant external environment perspective derived from institutional theory. Specifically, our presented conceptual model and eight propositions are intended to provide a research agenda platform to examine the influence of external institutional drivers of the presence of market orientation in an organization by addressing the following questions 1) How do relevant external institutional drivers impact the development of a market orientation in a transition economy SME?, 2) What is the relationship between relevant external institutional drivers and internal antecedents of market orientation in a transition economy SME?, and 3) What is the relationship between key inter-organizational constructs and the presence of a market orientation in a transition economy SME?

We begin our discussion with a literature review of market orientation theory. We then present a brief discussion of relevant institutional theory perspective integrated with the prevailing market orientation model as the basis for the presentation of eight propositions. We conclude with a brief discussion of how the model would be applied to a comprehensive research agenda.

Literature review

Market orientation theory

For-profit organizations typically focus attention and activities on customers to gain competitive advantage, and thus market orientation became the basis for the development of marketing thought (Tworoger, Voges & Barnes, 2010). Over time, market orientation has gained prominence as an approach that can be beneficial when embraced by the organization as a whole (Slater & Narver, 1994). Multiple perspectives of the market orientation construct have been presented (Kirca et al., 2005). Market orientation was conceptualized as a three-dimensional behavioral activity comprised of intelligence generation, intelligence dissemination and responsiveness to market conditions (Kohli & Jaworski, 1990). It was also conceptualized as a culturally derived concept oriented toward both customer and competitors in the market (Narver & Slater, 1990). Market orientation has also been identified as an effective cultural form acting as an element of cohesion in organizational performance (Gebhardt et al., 2006; Narver & Slater, 1990).

Studies of market orientation have included frameworks that address its relationship with antecedents, organizational outcomes, and moderating conditions. Jaworski and Kohli's (1993) frequently cited model tested the relationship of a multi-dimensional market orientation construct (Kohli & Jaworski, 1990) with three categories of antecedents, 1) top management, 2) organizational systems, and 3) inter-departmental dynamics. Their work along with others produced mixed support for the moderating impact that external factors of environmental turbulence, competitive intensity, and technological turbulence can have on the relationship between market orientation and performance (Kirca et al., 2005). Further, the meta-analysis provided for differences in the strength of the market orientation – performance relationship depending on the types of measures used, the type of firm, and cultural context of employees.

As anticipated by Kohli, Jaworski and Kumar (1993), extensions of market orientation studies to less traditional business settings (i.e., non-profit and public sector, transitioning economy nations) indicate that market orientation is also a viable construct related to these organizations' performance. Vazquez, Alvarez, and Santos (2002) found that a market orientation is present in a Spanish non-profit organization although there was a noted need for a modified market orientation scale to capture the differences in non-profit outcome focus as compared with for-profit organizations. Likewise, Balabanis, Stables and Philips (1997) and Cervera, Molla and Sanchez (2001) found the presence of a market orientation in non-profit organizations. Kok and Driessen (2012) found in their study of the transition from public to private sector operation of Dutch housing associations that the most important antecedents associated with the presence of a market orientation are related to the change capacity factors of 1) process improvement control and 2) top management emphasis. In addition, Barberis, Boycko, Shleifer and Tsukanova (1996) identified the presence of a market orientation in privatized Russian organizations.

Qu and Ennew (2005) explored the development of market orientation in the transition economy China and concluded that although actions of managers in these organizations are relevant, the more influential is the external conditions found in governmental policy regulations which support product quality and customer protections, as well as market-based ownership structure. Li, Sun, and Liu (2006) applied institutional theory to capture the role of government control and the transition to formalized corporate governance of state-owned enterprises in China and found a relationship between market orientation and organizational performance. Farley and Deshpandé (2005) in their study of the presence of a market orientation in Russia noted that while both China and Russia have undergone economic transition, the extreme and long-term central planning systems in Russia and higher degrees of political uncertainty at the time of their study contributed to findings that the presence of market orientation is weaker. Stan, Boush, Barb and Sebastian (2006) consider the potential inability of customer's skills to effectively appreciate a market orientation in transition economies because of the insufficient supporting institutional frameworks.

Kirca, Bearden, and Roth (2011) examined the presence of market orientation implementation in global subsidiaries of U.S. companies and found a positive relationship between the subsidiary's level of market orientation and company headquarters. They found a positive relationship between the subsidiary's level of market orientation and market-supporting institutions in its host country. They also found that subsidiary manager's identification with headquarters positively moderated the strength of the relationship between the host country's market supporting institution and the subsidiary's market orientation. Further, they found that the greater the cultural distance between the home country (U.S.) and the host country the more accentuated the role of the host country's market supporting institutions to the presence of the subsidiary's market orientation. The study offers an insightful illustration of the complex impact that external global conditions can have on the presence of a market orientation in an organization.

Studies have also tested the validity of the two most popular instrument scales used to measure the presence of market orientation in an organization (Ellis, 2006; Rojas-Mendez, Kara & Spillan, 2006; Ward, Girardi & Lewandowski, 2006). The MARKOR scale follows the market orientation model of Kohli, Jaworski and Kumar's (1993) instrument (i.e. intelligence generation, intelligence dissemination and responsiveness), while the MKTOR scale follows the market orientation model developed in 1990 by Narver and Slater (i.e. customer orientation, competitor orientation and inter-functional coordination). As surmised by Roersen, Kraaijenbrink and Groen (2013) although the market orientation concept has universal potential, most research has been conducted in developed economies with established free market business environments suggesting that modification of survey instruments to recognize knowledge limits in understanding the market orientation concept in transition economies would be beneficial. In all, informal institutional contextual settings such as culture, as well as formal institutions are seen as critical in the ability of an organization to identify and address market needs (Webb, Ireland, Hitt, Kistruck & Tihanyi, 2011). Thus, we contend in transition economies there is credible evidence to argue that external institutions, as well as cultural and knowledge tendencies toward the value of market-oriented practices, are significant influences on the presence and development of a market orientation in an organization.

The role of institutional context

Although a full discussion of institutional theory is beyond the scope of this paper, the initial orientation of the theory was toward answering the question, "why are organizations the same" (e.g. Di Maggio & Powell, 1983). There is an underlying assumption that organizations adapt in order to survive (e.g. D'Aveni, 1994). The primary focus of the theory's tenets is on *relevant* institutional level context infusing values and beliefs (i.e. ideological templates) into organizational behaviors (Meyer & Rowan, 1977; Meyer, Scott & Deal, 1983). The process of adoption evolves from acceptance of the legitimacy of the institutions (e.g. government and regulatory agencies, professional associations) to subsequent mimetic and isomorphic behaviors which evolve to converge into acceptable organizational behaviors (DiMaggio & Powell, 1983). Over time, institutional theory applications have advanced to also consider, "what occurs when there is institutional level change?" (e.g. Greenwood & Hinings, 1996). Interest shifted to consider the impact of the type of institutional change, as well as the pace and scope of the change effort. Two *types* of change were identified, 1) *radical:* a significant shift from one institutional template to another, and 2) *convergent*: a less abrupt shift within the same institutional template. The *scale* and *pace* of change addressed the period of upheaval and adjustment to new conditions and is characterized as ranging from *revolutionary:* wide and fast change, to *evolutionary:* narrow and slow change. In our discussion we are focused on *radical* change as we contend that in transition economies there is a "frame-breaking" shift from one institutional template to another; namely a shift from a centrally planned to a market-oriented structure.

Greenwood and Hinings (1996) broached the topic in response to recognition of the complexity of political and regulatory institutional changes in current environments. As such, they specifically addressed the impact of radical change resulting in a break up of interpretive schemes used to assess an organization's context; that is they presented that "… organizations are structures which are institutionally derived." (Greenwood & Hinings, 1996, p.1028). They proposed that change may vary across institutional sectors due to the extent to which the sectors are coupled and/or are insulated from ideas practiced amongst sectors. Further, inconsistent cues across sectors are also seen as creating the potential for variation of organizational behavior in the sector. Finally, the incidence of radical change and pace of change may vary within institutional sectors because organizations vary in their internal dynamics; namely, there may be resistance to change.

Their process model delineates the adoption and practice of related behaviors as organizations change their organizational templates based on *prevailing* institutional context (in contrast with *past* institutional context). Specifically, while organizations are embedded in the same dynamic institutional context leading toward an isomorphic need to change in order to survive (Oliver, 1991), organizational differences in *precipitating* and *enabling* conditions lend toward different organizational responses. If the prevailing template is recognized as an advantage by actors within the organization a shift to this template is likely to occur. If power structures, namely executive action within the organization support the new behaviors, the culture will ultimately change. Over time, reciprocal exchanges lead to enforcement of mimetic, normative and coercive processes within the prevailing institutional context solidifying the change experience. Greenwood and Hinings (1996) contend that in the early phase of institutional change, the technical aspects of the change are more important; and, over time, institutional pressures become more prominent.

Seo and Creed (2002, p.224) further develop a theory on the impact of institutional change and provide a clearer focus on "when and how embedded actors individually and collectively come to the conscious point…where they recognize the need… for collective action to change existing institutional arrangements". Recognizing the complexities and inconsistencies of social behavior patterns, they argue that the change process results in a *praxis* defined as "… a particular type of collective human action, situated in a given social-historical context, but driven by the inevitable by-products of that context -social contradictions" (Seo & Creed, 2002, p.230). That is, although institutional change may occur, the outcome may not be what is intended because of the inability for fundamental realignments in frames of reference and logic for action. This conundrum is proposed to be particularly relevant in transition economies where the organizational template may not know by its actors and a 'learning effort' is required. In the absence of suitable institutional templates to mimic, actors may resort to old known routines for behavior (Newman, 2000).

A conceptual model and propositions

The following discussion presents an argument for eight propositions which reflect an integration of relevant institutional theory perspective with the market orientation model validated by Kirca et al. (2005). Figure 1 is an illustration of the model. In brief, the model recognizes the relationship between relevant institutional context and the process of developing a market orientation in an organization as portrayed by relationships between key actors, organizational dynamics, and organizational systems. The model integrates three main points from institutional theory. First, in the external environment, as suggested by Greenwood and Hinings (1996) there is the presence of multiple vertically and cross- integrated institutional sectors, namely, 1) regulatory, 2) professional support and 3) political which provide cues and basis for the legitimacy of a new archetype or organizational template. When these sectors, in which organizations are embedded present consistent favorable market-oriented characteristics it is expected that a positive environmental setting exists for change to a market-oriented archetype (delineated as 'new archetype"). Second, given that the new archetype is considered to be legitimate (which assumes that the old archetype is considered not to be legitimate) there will be a *precipitating* dynamic of market orientation recognition by top management in the organization (Greenwood & Hinings, 1996). That is, top managers serve in an initiator role to foster the development of a market orientation in an organization. Further, as discussed by Seo and Creed (2003) and Newman (2000), we propose that the recognition of a market orientation is the result of a learning effort or adaptive response by top managers, who are primarily responsible for the survival of the organization. If the cues from the institutional sectors are confused or obscure the ability for top manager recognition is hindered, and the potential for the organization to develop a market orientation is diminished. Thus, we present the following four propositions for consideration:

Proposition 1: There is a positive relationship between a country's market orientation regulatory policies and an organization's top management's market orientation recognition.

Proposition 2: There is a positive relationship between a country's market orientation professional support institutions and an organization's top management's market orientation recognition.

Proposition 3: A country's political uncertainty negatively impacts the relationship between a country's market orientation regulatory policies and an organization's top management's market orientation recognition.

Proposition 4: A country's political uncertainty negatively impacts the relationship between a country's market orientation professional support institutions and an organization's top management market orientation recognition.

We also propose a *precipitating* condition within the organization's dynamics. That is, the potential of resistance toward change to a market orientation can be assessed based on the extent to which actors throughout the organization value a market culture. Greenwood and Hinings (1996) assert that if actors within an organization are supportive of the status quo, change to the new archetype will not occur. This is especially relevant for SMEs in transition economies. Research indicates that cultural distance from developed economy settings challenges the ability for an understanding and acceptance of market orientation practices (e.g. Kirca et al., 2005). Given that market orientation by definition embraces an organizational-wide presence, we include this perspective in the model. Thus, we present the following proposition for consideration:

Proposition 5: An organization's market culture is positively related to its market orientation

Third, as the potential for embracing a new archetype is supported through *precipitating* dynamics, *enabling* dynamics are also engaged to provide an ability to successfully implement the new archetype. In this regard, an organization's governance structure is considered to be an important source of enabling dynamic by providing support for a *capacity for action* by way of providing market-oriented skills and resources (Greenwood & Hinings, 1996). We propose that top management is the point that market orientation recognition and supportive governance converge. This convergence is proposed to unleash the potential for a market-oriented *emphasis*; a construct identified in the traditional market orientation model. Further, as top management plays a significant role in the organization's cultural orientation (Schein, 1985) we also propose that there is a subsequent shift to a market-supporting culture throughout the organization. Thus, we propose the following three propositions for consideration:

Proposition 6: The market-oriented governance of an organization is positively related to its top management market orientation responsiveness.

Proposition 7: The top management market orientation responsiveness is positively related to top management market orientation emphasis.

Proposition 8: The top management market orientation emphasis is positively related to the organization's market culture.

In summary, our conceptual model and eight propositions are intended to present that when there is a positive gain in each of three arenas (i.e., (i) market orientation in institutional sectors, (ii) market orientation antecedent conditions in the organization, and (iii) capacity for change to a market orientation) the result is a development/presence of a market orientation in the organization. Our focus in this discussion has been on SMEs in transition economies. However, we consider that these external institutional drivers may be influential in any economic setting undergoing change.

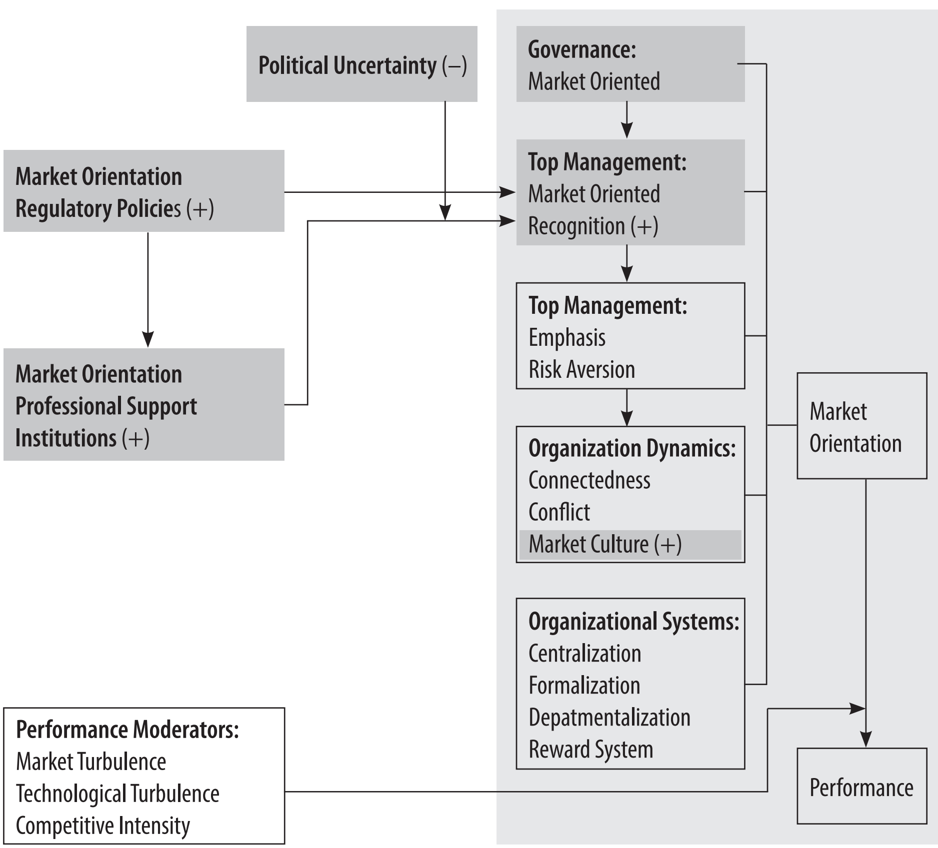

Figure 1: Market Orientation in Transition Economy SMEs: A Conceptual Model (propositions are shaded):

Conclusion

We suggest that the next stage of the study is the development of a comprehensive research agenda. First, given that mid-range theoretical approach in the development of the model and the lack of direct empirical study, we suggest that the first phase of study employ a qualitative investigation. For example, exploring with open-ended question format the potential existence of 'market ignorance' as raised by Roersen et al. (2013), as well as exploring the role of supporting professional organizations in constrained regulatory and political settings as noted by Kshetri (2009) would be of value.

Second, although not directly presented in the model, we propose that while all organizations in transition economic settings experience radical change, each would experience differing levels of revolutionary/evolutionary change contingent upon the timing and relevant political and economic agenda. Further, as suggested by Greenwood and Hinings (1996) the potential for successful change may vacillate between emphases on the technical aspects of institutional conditions in the early stages of transition to an emphasis on institutional pressures to promote isomorphic behaviors in later stages. In addition, as observed by Kirca et al. (2005) relevant industry sector characteristics (i.e. manufacturing vs. service) may impact the level of a market orientation. Thus, we suggest that careful consideration of controlling for county level and industry level contingencies be employed.

An organization's archetype is derived from its associated external institutional environment (Greenwood & Hinings, 1996). The ability for an organization to survive is predicated on its ability to adapt to oftentimes changing contextual forces (D'Avini, 1994). Organizational actor responses may vary depending on which institutional context they are aligned with, and to what extent they are coupled with their institutional context. We contend that especially in transition economies there is by definition a *radical* or fame breaking change as seen by shifts in support of organizational archetypes by key institutional sectors. We acknowledge that SMEs are pivotal in not only their success but also the success of transition economies of which they are a member.

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Gaining Competitive Advantage in a Global Business Environment – the Case of SMEs in Emerging Markets

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Introduction

For SMEs, economic globalization has generated new competitors but also the opportunity to access new markets and to develop innovative strategies to enhance competitiveness. The ability of SMEs to create, develop and transfer knowledge on global markets represents the essential source of their competitiveness. Understanding competitive advantage requires a multidimensional framework. The new competitive landscape conducted by globalization is moving towards competition focused on price, quality and the satisfaction of the consumers, all of this based on new strategies.

In this contribution, the interest is to understand the dynamic features and mechanisms that permit the creation of competitive advantage in the case of SMEs from emerging markets. The first step is to analyze the possibilities to implement paradigms from strategic management, like resource-based view (RBV) or dynamic capabilities (DC), mixed with an instrument for transaction like total costs economics (TCE) and another instrument that give the flexibility of these processes that are developed in dynamic environments, useful for modern decision making processes, namely real options analysis (ROA). The output of this contribution is not limited to a new methodology but it will offer an additional tool for the deep understanding of mechanisms and critical elements for obtaining a sustainable competitive advantage in the case of SMEs that operate in dynamic and volatile environments.

Strategic management represents an interesting topic for industrial organizations especially for technological small and medium-sized enterprises (SMEs). The importance of obtaining competitive advantage has increased over the past few years. In the context of a turbulent external business environment, the focus should be on strategies that generate and develop competitive advantage because strategies represent the foundation of a business. The vision should focus on market changes, trends and the current dynamics of the complex interactions of specific performances and emerging markets.

Over time, the strategic management field concentrates on approaches that emphasize that competitive advantage is gained from external market forces. In these latter days, SMEs should invest in their resources and capabilities to develop a "resource-based view" and generate market opportunities. The RBV argues that SMEs gain a competitive advantage by identifying, developing and sustaining valuable resources and dynamic capabilities. SMEs increase their performance through their competencies which are connected to strategies that are flexible to market changes. Sustainability is essential and a sustainable competitive advantage allows SMEs to outperform their competitors.

By taking into consideration the two additional theories, namely TCE and ROA, SMEs could develop new strategies that better respond to the actual problems of SMEs as critical investments in a framework characterized by deep uncertainty and competition. The sustainable competitive advantage is situated in a dialectic relationship with superior performance and it also ensures a good placing in the market. The mixing of RBV and DC with TCE and ROA could offer a global view for the strategic decision maker, better anchored to the real world.

Background: an exploration of different elements of strategic management

The key issue in strategic management is the creation, development, and sustainability of SMEs-level competitive advantage.

Organization capability is defined as "a high-level routine (or collection of routines) that, together with its implementing input flows, confers upon an organization's management a set of decision options for producing significant outputs of a particular type" (Winter, 2003, p.991). In this context, routines refer to the "behavior that is learned, highly patterned, repetitious or quasi-repetitious, founded in part in tacit knowledge" (Winter, 2003, p.991). For example, decision rules are routines but to gain competitive advantage SMEs should focus on their resources.

In "resource-based view" (RBV) the unit of analysis represents the importance of routines and resources. Resources are defined in the literature in different approaches. As Barney (1991) and Wernerfelt (1984) had shown, resources represent human, physical and organizational assets that implement value-creating strategies (Nickerson, Yen & Mahoney, 2012). Resources are "the foundation for strategy and a unique bundle of resources generates competitive advantage leading to wealth creation" (Bush, Greene &

Hart, 2001, p.64). In the context of the heterogeneity of SMEs (unique capabilities) is essential the behavior assumption of bounded rationality (Barney, 2001; Simon, 1997). The interest is to find relationships between SMEs` competencies and its global performance and to test the mechanism to obtain rents from resources.

There are some critics of RBV that refer to the: tautology that expresses the fact that competitive advantage is based on VRIN (valuable, rare, inimitable, non-substitutable) resources but the economic value of the resources is based on competitive advantage (Priem & Butler, 2001); the link with the consumer branch that impacts the value creation of resources (Adner & Zemsky, 2006); the simple identification and selection of VRIN-resources (Barney, 1991) and to the lack of design procedures (Priem & Butler, 2001).

Dynamic Capabilities (DCs) represent "the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments" (Teece, Pisano & Shuen, 1997, p.509). DCs express the capability to react and to cope whit change and represent the critical element for sustainable performance in volatile environments and are based on the ability to build and adapt the internal/external competences (Teece et al., 1997). Other approaches emphasize that "dynamic capability is the creation of difficult-to-imitate combinations of resources, including effective coordination of inter-organizational relationships, on a global basis that can provide a firm a competitive advantage" (Griffith & Harvey, 2001, p.598).

It is essential to understand the mechanics of building DCs and the optimal path toward competitive advantage (Zollo & Winter, 2002). In this context, Eisenhardt and Martin (2000) argue that the value of DCs is based on their connections with SMEs performance. In this approach, there are multiple equivalent paths and it is possible to consider the imitation of benchmarking`s practices. It is essential for managers to "avoid bias, delusion, deception and hubris" in order to extend the borders of knowledge (Teece, 2007, p.1333).

The critics of the literature on DCs are related to their impact on persistent performance differences among SMEs (Easterby-Smith, Lyles & Peteraf, 2009; Eisenhardt & Martin, 2000; Teece et al., 1997), the use of DCs approach in uncertain and volatile environments and to the selection of alternatives and factors in the process of building DCs.

TCE is another paradigm that could be integrated into this framework. Williamson introduced the critical assumption "asset specificity" (Williamson, 1996, p.377) and he explained its importance in building strategies for "transformation" (Zajac & Olson, 1993, p.134). Transformation is a concept linked with change and transaction is defined in the context of Commons` principles: conflict, mutuality, and order (Commons, 1932).

The use of transaction is a unit of analysis that contributes to a better understanding of the mechanisms throughout SMEs select and mix their governance alternatives (market, hybrid contracting and hierarchy). Williamson (1985, p.18) proposed to "align transactions to governance structures in a discriminating way". The main behavior assumption is the bounded rationality (incomplete contracts in the complex uncertain real world) and the opportunism (the strategic misrepresentation). The critics of TCE are related to the mechanisms of building asset specificity and the explanation of the performance of different SMEs (Walker, 2007).

Now, the need is to offer an argument for flexibility, something to match with DC. Game theory (GT) analyzes "the nature of competitive interaction" (Smith & Trigeorgis, 2004, p.24) between rival SMEs. GTs aim is to explain under which circumstances SMEs can "influence the behavior and actions of rival SMEs and thus the market environment" (Smith & Trigeorgis, 2004, p.24). It structures competitive situations and generates different types of business behavior.

As Trigeorgis (1996) demonstrated, the real option (RO) perspective could contribute also to the process of understanding the resource accumulation, the building of capabilities and decision in deep uncertainty and applications like the critical decision for investments in deep uncertainty need to reconsider the managerial flexibility in a creative manner. RO uses the conventional options theory "to evaluate physical or real assets as opposed to financial assets or stocks and bonds" (Mun, 2002, p.79) and it is based on the asymmetry between the possibility and obligatorily of a real transfer according to the movements in markets. The conventional techniques could not integrate either the strategic value (from technology or management) or the interdependencies or synergies between projects or competitive interactions, that are typical in the case of technological SMEs. The discounted cash flow analysis "assumes a static investment decision and assumes that strategic decisions are made with no resources to choose other pathways or options in the future" (Mun cited by Nembhard & Aktam, 2010, p.8). In the real world, the integration of new information proceeds in a gradual, continue manner and the response for defense against losses or targeted opportunities need an operational flexibility, that could be represented by options. Real options include tools from economy and management in applying options theory in valuing assets in a global and dynamic business environment where decisions are flexible in the context of strategic investment decision making.

RO describe a flexible methodology because they put together the strategic planning and the capital budgeting. Using real options, SMEs obtain a strategic advantage because they can identify the optimal timing for a project. As has been shown (Mun, 2002), the real options approach presents a learning model that helps managers to make better and more informed strategic decisions when some levels of uncertainty are resolved through the passage of time. In this case, ROA represents a critical tool that helps SMEs to make better strategic decisions and it could be matched with DC because it responds to disruptive dynamics regimes with the argument of flexibility in a natural but consistent way.

The critics of the literature sustain that RO is difficult to value with certainty and the methodology is complicated but Mun (2002, p.82) argues that "traditional approaches assume a statistic decision-making ability, while real options assume a dynamic series of future decisions where management has the flexibility to adapt given changes in the business environment". The volatility is often the variable that has the most important impact on the option value. As has been shown (Miller & Park, 2002), there are three approaches to estimate the volatility: twin security information, Monte Carlo simulation, and closed-form expression. Contrary to real options theory, Smith and Trigeorgis (2004) argues that GT proves that it is not always a good choice to keep options open. On one hand, ROA represents only an academic tool and it is not practical in the business and on the other hand ROA "ends up choosing the highest-risk projects as the higher the volatility, the higher the option value" (Nembhard & Aktam, 2010, p.12).

Research methodology

Manufactories have been required to adapt to changing business environment. The changes involve significant challenges with the aim to gain, develop and sustain competitive advantage because the business environment has several sources of uncertainty such as capital structure, cost structure, SMEs portfolio of corporate activities and resources, input price volatility, unsecured supply, support on green technologies and new environmental standards. Competitive strategies should be analyzed using combinations of option valuation, resources and capabilities. In an increasingly turbulent global business environment, strategic flexibility has become essential.

Implementing real options analysis represent a decision-making process that improves the traditional decision analysis approaches. This application is represented by a simple strategic decision of SMEs that have the right to contract, expand, delay, switch or abandon a manufacturing project. The research is based on documentation methods, observation methods and real options analysis for SMEs that are unsure of their technological efficacy according to the market changes; especially the attention is focused on volatility.

Suppose that manufacturing SMEs decide to hedge themselves through the use of strategic options. They have the option to choose among strategies: continue to use their current technologies or acquire new technologies according to the volatility. Suppose that the present value underlying assets is 100 TEUR. The volatility of the logarithmic returns on the projected future cash flows is 10%, 25%, 40% and the risk-free rate on a riskless asset for the next five years is 5%.

To identify the best strategy, the analysis follows some steps.

Step I. Determinate the underlying asset lattice

The first step signifies the calculation of the value of the contraction options using a binominal lattice which is a tree that represents possible paths that should be followed by the variables over the life of the option.

100.00	149.18	222.55	332.01	495.30	738.91
	67.03	100.00	149.18	222.55	332.01
		44.93	67.03	100.00	149.18
			30.12	44.93	67.03
				20.19	30.12
					13.53

Figure 1. Underlying asset lattice

Figure 1 presents the lattice evolution of the underlying with a volatility of 40%. Using the binominal approach here is calculated the value of the contraction options following a five time-steps. All the calculations and steps are based on the up factor, down factor and risk-neutral probability analysis.

Step II. Determine option valuation lattice

The second step is to calculate the option valuation lattice using the values calculated in Figure 2.

50.79	90.10	155.42	259.62	419.20	658.91
Continue	Continue	Continue	Continue	Continue	Execute
	21.66	42.23	80.17	146.46	252.01
	Continue	Continue	Continue	Continue	Execute
		5.94	13.46	30.52	69.18
		Continue	Continue	Continue	Execute
			0.00	0.00	0.00
			Continue	Continue	End
				0.00	0.00
				Continue	End
					0.00
					End

Figure 2. Option valuation lattice

The figure presents the option valuation lattice with a volatility of 40%. The sample terminal node reveals a value which can be obtained through the value maximization of continuation versus execution or ending.

Step III. Determinate sensitivity

Real options valuation involves sensitivity analysis of its inputs that have impacts on input parameter changer on profitability. According to the inputs, the research is based on Tornado chart that is useful to determinate the sensitivity analyze that compares the relative importance of variables.

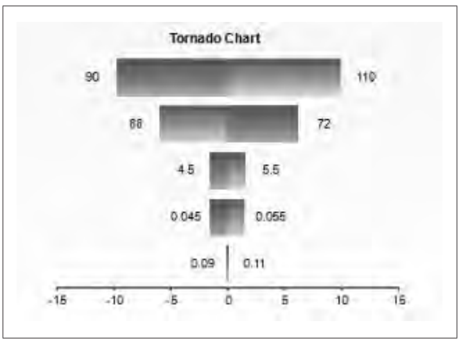

Figure 3. Tornado Chart with 10% volatility

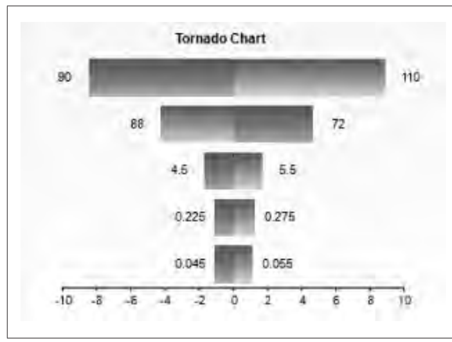

Figure 4. Tornado Chart with 25% volatility

This analysis runs a quick static sensitivity of each input variable of the model at a time and lists the input variables with the highest impact to the lowest. The lattices result in a good convergence. The first figure (Figure 3) illustrates the Tornado Chart with 10% volatility that suggests an input downside of 0,09% and an input upside of 0,11% with a base case value of 0,10%. The second figure (Figure 4) illustrates Tornado Chart with 25% volatility that shows an input downside of 0,23% and an input upside of 0,28% with a base case value of 0,25%.

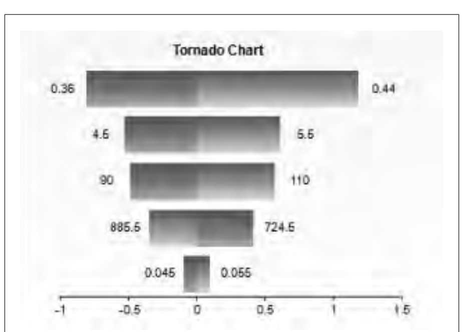

Figure 5. Tornado Chart with 40% volatility

The third figure (Figure 5), illustrates the Tornado Chart that suggests an input downside of 0,36% and an input upside of 0,44% with a base case value of 0,40%.

Step IV. Simulation process

The figures represent the simulation of the option taking into account the present value, the implementation costs, and the volatility.

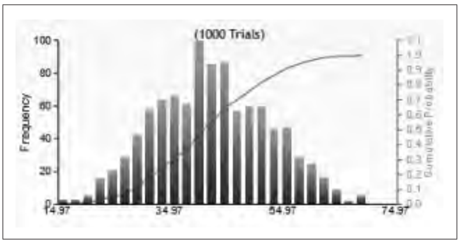

Figure 6. Simulation with 10% volatility

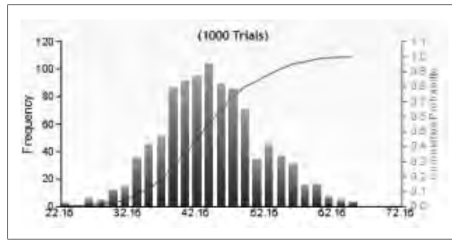

Figure 7. Simulation with 25% volatility

The first figure (Figure 6) illustrates that at 1000 trials with 10% volatility, the mean is 38.37, the standard deviation is 11.19 and the range is 60.52. The second figure (Figure 7) shows that at 1000 trials with 25% volatility, the mean is 43.16, the standard deviation is 9.55 and the range is 59.89.

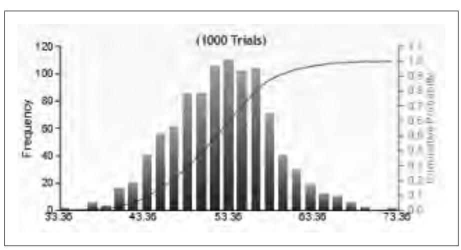

Figure 8. Simulation with 40% volatility

The third figure (Figure 8) represents the simulation of the process with 40% volatility. In this case, at 1000 trials, the mean is 51.37, the standard deviation is 8.67 and the range is 58.19.

In conclusion, from Figure 6 till Figure 8 it can be seen the importance of using ROA in high volatile environments, with impact on protection against high uncertainty elements, that are typical in major investments decisions for SMEs in emerging markets.

By using ROA, SMEs can value the flexibility that exists for different operations and they can gain a competitive advantage by choosing the optimal strategy. Real options approach shows the additional value of uncertainty. The scenario presented suggests that ROA can be used in decision-making managerial process for SMEs. Real options offer a longer maturity and increase strategic option value by flexibility. The value of strategic options is given by variables that are conducted by competition, demand, and management.

Conclusions and directions for future research

The recent crises and turbulences hit the SME industry and the recovery drive by macroeconomic improvements and the integration of the technological progress was not sufficient. The problem is now very complex because the socio-technical systems need another type of management, capable of responding to the additional issues and constraints. The integration of strategic management paradigms like RBV or DC should be reconsidered in an extended framework that works together with other paradigms that contain flexibility elements.

The way toward a better understanding of the mechanisms of interactions between technical, social and managerial tasks in the case of SMEs should reconsider the elements of performance, the viability, compliance, efficiency and effectiveness in a pragmatic way that manage better the agility elements necessary in this SME industry.

The integration of the paradigms from strategic management like RBV and DC together with TCE and ROA contribute to a new synergic framework better adapted to the development of SME capacity to respond adequately to high uncertainty environments that characterize emerging markets.

The paper offers not only an exploration of traditional and modern strategic management perspectives for gaining competitive advantage. Through an innovative concept, the proposed methodology offers new research directions for the development of strategies for SMEs in emerging markets. In addition, it is essential to understand the mechanisms to improve the strategic direction, elements in order to fuel the synergic development of sustainable competitive advantage in all types of environments, especially in the extremely volatile and turbulent ones that characterize emerging markets.

Further studies will be carried out in the future on larger samples and integrating advanced data filtering processes, conducting separate studies on large organizations, capitalizing and diversifying the national, regional and global comparisons by detailing the study of the shock type mechanisms to the price level of resources.

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Research in the Field of Goodwill and Corporate Governance Accounting: a Synthesis Bibliography in the 2011-2014 Academic Literature

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Introduction and literature review

Corporate governance is a set of rules under which companies are managed and controlled, that branch of economics that studies how companies can become more efficient, promote fairness, transparency, and accountability at the company level. This can be viewed narrowly and broadly. Narrowly, corporate governance is a set of economic and legislative means to help ensure investors' interests. In a broad sense is a set of standards and controls applied in order to protect and harmonize interests, in many cases contradictory, of all categories of economic actors (stakeholders) of the organizations.

Corporate governance is a combination of laws, regulations, and codes of conduct adopted on a voluntary basis to ensure the company to attract the financial and human capital necessary for its activity and ability to operate effectively in order to ensure existence by generating long-term value for its shareholders and society.

The stakeholders are "any group of individuals who can affect or is affected by the achievement of the organization objectives" (Freeman, 1984). The number of owners and shareholders and their role differ from company to company according to its size. Managers' role is to be accountable to the owner(s), to control, to organize, to take decisions, to plan etc. Employees are important to carry out the activities of a company. Other stakeholders are investors (there are studies that explore the correlation between sustainability and performance, the main aspect that investors take note about), customers, suppliers, authorities, communities.

According to the literature, we found the sources of corporate governance theory, as were noted by James P. Hawley and Andrew T. Williams, in 1996. (Hawley & Williams, 1996). These were the starting point for the Organization for Economic Cooperation and Development (OECD), which consider the existence of the four theoretical sources of corporate governance:

- The Agency Theory;
- The Stewardship Theory;
- The Stakeholder Theory;
- The Legitimacy Theory.

The Agency Theory (The Agent's Theory or the Principal – Agent Theory or the Shareholder Model) (La Porta et al., 1999; Hart, 1995; Eisenhardt, 1989; Fame & Jensen, 1983; Fama, 1980; Jensen & Meckling, 1976) aims at monitoring managers by administrators to eliminate the potential negative effects. The sole responsibility of an organization is the profit, legally obtained, as Milton Friedman said, a professor at the University of Chicago, Nobel laureate for Economics. In 1776, Adam Smith, the author of the "Wealth of Nations, Research on its Nature and its Causes", brings into the spotlights the notion of the "invisible hand", emphasizing the regulatory function of the market in terms of rational allocation of the resources. The Agency Theory is tackled later by Mill (1848/1909) and Berle and Means (1932/1991), who highlights the idea that managers act in their own interest, considering the existing divergences. The Agent Theory is based on the fact that managers (agents) must act in the interest of shareholders (principal). It thus appears the clear separation between ownership and control. However, it is interesting to note why managers should act in this direction.

The Stewardship Theory shows that the managers work in the interests of stewards (Muth & Donaldson, 1998; Donaldson & Davis, 1991; Donaldson, 1990). The Stakeholder Theory (Kolb, 2010; Laplume, Sonpar & Litz, 2008) establishes the responsibilities of all stakeholders (Laplume, Sonpar & Litz 2008; Jonge, 2006; Roberts & Mahoney, 2004; Jensen, 2001; Stoney & Winstanley, 2001; Mitchell et al., 1997; Donaldson & Preston, 1995). Freeman (1984, p. 45) is also the proponent of this theory, which refers to the sustainability or triple bottom line (Elkington, 1997).

The Legitimacy Theory provides that organizations agree to undertake various social activities. (Mathews, 1993; Gray, Kouhy & Lavers, 1995a; Neu et al., 1998; Campbell, 2000; Parker, 2005, De Villiers & Van Staden, 2006). As shown in the literature, the Agency Theory is the fundamental theory of corporate governance.

The Corporate Governance Models (Feleagă, Feleagă & Dragomir, 2010; Feleaga, 2008; Short, 1998):

The Anglo-Saxon Model/the Outsider Model/the Shareholder Model is characterized by:

- the capital allocation;
- the Stock Exchange is the main financier;
- the one tier system: board of directors ((non)executive directors);
- the information transparency;
- the authorities' non-involvement in the economy;
- the external control;
- the accounting disconnected from fiscality;
- the accounting system: Generally Accepted Accounting Standards (GAAP);
- the accounting profession has an important role in normalizing;
- the increased liquidity;
- the common law system;
- is specific to: Australia, United Kingdom, United States of America, Hong Kong etc.

The Continental Model/the Insider Model/the Stakeholders' Model is characterized by:

- the focus on capital;
- the banking system is the main financier;
- the two tier system: Board Supervisor, Board of Directors;
- the direct involvement of the company owners in management;
- the state involvement in accounting normalization;
- the internal control;
- the accounting connected to fiscality;
- the accounting system: International Financial Reporting Standards (IFRS);
- the constant concern to improve the quality of human capital;
- the unstable economic environment;
- the written legal system;
- is specific to continental countries and Japan;

The cultural and the legal differences help to try to converge to global corporate governance systems. We cannot say there is the best model of corporate governance, all systems presenting pluses and minuses, the perfect model of corporate governance being only an illusion. (Elkington, 2006). The study done by Rafael La Porta and his research team (La Porta, 1997) is a comparison of the corporate governance systems. The research conducted on a sample of 49 countries, reflects from a legal point of view that the English system offers the highest protection of investors, followed by the German one, while the French system provides a small degree of protection.

The existence of furthermore models of corporate governance can be argued, as stated above, in terms of different national cultures and, in this case, is relatively difficult to build a single model of corporate governance able to fit perfectly in each country. It is the same thing with trying to put the same ring on the finger of furthermore people, the opportunity to suit perfectly to all of them being very low. The classification and the framing is useful for various analyses and empirical research. A challenge is to find the representative points of convergence of corporate governance models. The wide range of corporate governance systems directs us to the question: "which one is more reliable?". The corporate governance systems from United Kingdom (where the focus is on the protection of investors, unlike with the one from continental-European countries), France, Germany are some of the best, and their differences are not so significant to other states. (Abbott & Snidal, 2004). At the opposite pole there are the least developed or in transition countries, within the corporate governance systems are not practically implemented. A reliable system of corporate governance is the one able to anticipate and prevent the shareholders-managers conflicts or the shareholders-creditors conflicts.

There is a very fine line between corporate governance, goodwill, corporate social responsibility, and sustainability. All are extremely important for a company and should not be viewed separately. Responsibility for society is a strong differentiating factor for companies, with implications on the sustainable development of society. Social responsibility actions, on short-term, includes costs for the organization, but on long term they brings a win-win-win relationship, if we try to look beyond the numbers. Social responsibility is not a necessity, is an important economically, ecologically, and socially obligation.

There are two definitions of reputation, one of the organization's perspective and from the perspective of stakeholders. Organizational reputation is an intangible asset (Ferguson et al., 2000). Organizations can be viewed as a network of relationships (Jones, 1995), and their ability to be in good relations with several stakeholders at the same time can be a core value.

In the Information Age, intangible assets provide an ever-greater assistance to stakeholders and improve the social peace of their respective entities. Improvements in technology have allowed an ever-greater number of entities to improve their communications with its stakeholder network. This network has seen the rise of a new class of assets described initially by Menger, which writes "Of special scientific interest are the goods that have been treated by some writers in our discipline as a special class of goods called 'relationships'. In this category, there are firms, goodwill, monopolies, copyrights, patents, trade licenses, authors' rights, and also, according to some writers, family connections, friendship, love, religious and scientific fellowships, etc." (Menger, 2004; Magliulo, 2010). From an Austrian perspective goodwill and communications are assets of a company and a measure of real wealth.

According to the guidance set by 35-3C Transition Guidance 350-20-65-1, as amendments to SFAS 142, several circumstances should be considered while performing impairment tests on an entity's goodwill accounts.

Such circumstances are subject to the entity as well as its stakeholder/shareholder framework, including a definitive list of socio-economic and operational factors which interfere with the entity's capability of presenting itself as an appropriate enterprise within its stakeholder framework.

Table 1. List of Socio-Economic and Operational Factors (based on FAS 142)

Factors	Related parties	Risk
Macroeconomical factors	National and international agencies	Interest risks, Political risks
Appraisals of the market and the sector	Competitors, lenders, clients, the central banks	Political risks, marketing risks, operational risks
Cost fluctuations	Unions, lenders, state	Operational risks
Relevant events	Partners and managers	Political and operational risks
A drop in the share prices	Investors, Central Bank	Capital and Operational risks

This decision framework relies on an appropriate level of corporate governance disclosure, as a risk mitigator factor in the relationship with the appropriate related parties. Such parties can be considered from the ranks of both the shareholders and stakeholders alike. While the markers of impairment are loose and apply to a variety of business models, the underlying factor in all business models is a good model of corporate governance.

Critics like Lev and Zarowin argue that the accounting treatment of the intangible assets (omitting several key intangible assets from the balance sheet) has reduced the utility of the balance sheet and comprehensive income. Lev's analysis draws on two benefits of using intangible assets namely (a) the complementary use and (b) the chain effects. An adequate corporate governance disclosure system fulfills these demands. The complementary use implies that intangible assets can be used simultaneously to fulfill many tasks. An adequate corporate governance disclosure system enhances the quality of the financial statements by earning the trust of the investors. According to Aishah

Hashim and Devi(2008), firms which disclosed compliance with corporate governance codes in Malaysia had a greater earnings quality. The users of financial statements are more likely to accept the financial results of a company with a higher level of corporate governance transparency. In addition, disclosing the corporate governance structures reduces litigation risks as third parties will find the appropriate person to voice their concerns and thus be less likely to sue the company over unsatisfactory interactions. Moreover by ensuring the stakeholders are acknowledged in the annual report, reduces the alienation of these parties.

Lastly, disclosing the corporate governance system in an appropriate manner reduces audit costs by limiting the time required for the collection of evidence. Thus the corporate governance disclosure system provides multiple purposes satisfies the first criteria for inclusion as demanded by Lev.

Regarding the chain effects, this implies that an insignificant early advantage can lead to significant later advantages leading to the control of the market. Effective corporate governance codes are a game changer and insignificant advantages such as a better board disclosure prevent fraud and save investors millions. Chung et al. (2007) find that firms with better corporate governance have narrower spreads, higher market quality index, the smaller price impact of trades, and lower probability of information-based trading. Moreover, intangible assets such as a corporate governance disclosure system produce other means of gaining onto the market such as goodwill and dividends for the owners.

Figure 1. The link between goodwill and corporate governance

It is obvious from the cycle that better corporate governance disclosures will demand more resources from the company’s management and thus be likely to incur a cost to the shareholders. However, if the initial setting provides an advantage over the competitor's such costs are likely to be mitigated by the benefits of the endorsement and the costs will contribute to a better stakeholder framework. Such a shift in the balance of power is likely to benefit the stakeholders with impacts over the accounting policies and principles endorsed by the company and thus provide even more benefits for the company.

Hypothesis, sample selection, and methodology

A problem for academics is if the planning of their research initiatives. Such planning has to be considered within the larger body of scientific literature with respect to originality, prior research, and relevance. Since the issues of goodwill and corporate governance can combine in many contexts the problem at hand is to find a method to plan the scope of the research.

The issue thus in question for the paper is whether the interest expressed by researchers in topics related to goodwill and corporate governance are limited by the pre-existent body of literature and what is the exploratory limit available to authors at the present moment. A natural formulation of the problem would be that the more a theme is studied within the body of scientific literature the less likely an author would be to approach the issue as part of his or her research.

Thus, the hypothesis in question for the study and its null hypothesis can be formulated accordingly:

H0: Research initiatives in the matters pertaining to goodwill and corporate governance are significantly dependent on previous research!

H1: Research initiatives in the matters pertaining to goodwill and corporate governance are not significantly dependent on previous research!

We opted for a quantitate analysis of a qualitative data set through epistemic mapping and numerical analysis of the data derived from the meta-data. The data reflected research which focused on areas related to goodwill accounting and corporate governance and represents an appropriate mirror of the interference between those epistemic areas. The research papers were selected for relevance and meaning and were excluded those research papers which focus on corporate governance and goodwill accounting in a superfluous manner or are irrelevant to the accounting discourse which focuses on other social sciences such as sociology and political sciences.

The data was extracted from the Science Direct database and it includes 45 relevant research papers which bridge the gap between goodwill accounting and corporate governance for the period 2011-2014.

We have included in our sample academic journals such as Critical Perspectives on Accounting, International Review of Financial Analysis, Emerging Markets Review, Journal of Accounting and Public Policy, Journal of Accounting and Economics, Research in Accounting Regulation, Advances in Accounting, Management Accounting Research, Journal of Corporate Finance, Journal of Financial Economics, International Business Review, Journal of Comparative Economics, World Development, Management Accounting Research, International Journal of Information Management, The International Journal of Accounting, International Journal of Project Management, International Business Review.

Results

The time period for this review is 2011-2014. While we could not review exhaustively the literature, we identified those articles which we considered relevant for our research. The main idea of our research is that to find the relevant papers on the basis of the keywords detection. We used in the present study a quantitate analysis of a qualitative data set through epistemic mapping and numerical analysis of the data derived from the meta-data.

While we researched the relationship between corporate governance and goodwill we discovered that the nowadays evidence is too variable to scratch up some generalizable conclusions. By this quantitative research, we conduct a meta-analysis of 45 studies.

No	Article	Author 1	Author 2	Author 3

Emerging Market Sample	Keyword 1	Keyword 2	Keyword 3	Keyword 4	Year

Figure 2. The basis of the quantitate analysis

Table 2. The semantic areas

Semantic Areas	Number of Keywords	Percentage	Priority
business combinations	8,00	5%	17
closed governance systems	6,00	3%	12
corporate governance theory	24,00	14%	2
fraud	10,00	6%	8
globalization	6,00	3%	13
governance mechanisms	3,00	2%	19

Semantic Areas	Number of Keywords	Percentage	Priority
IT	6,00	3%	10
macroeconomic risks	4,00	2%	18
methodology	13,00	7%	3
metrics	22,00	13%	1
organizational behavior	3,00	2%	16
others	7,00	4%	5
ownership	5,00	3%	11
politics	10,00	6%	6
regulation	9,00	5%	9
risk management	7,00	4%	14
sampling	9,00	5%	7
stakeholder theory	6,00	3%	15
stakeholders	3,00	2%	20
values	13,00	7%	4
total	174,00	100%	-

From the articles we extracted the four top keywords and the number of contributing authors:

Table 3. The epistemic areas

Epistemic area	Total Unique Key-Words	Sample
Business combinations	4	Merger
Small-scale governance systems	6	S&M enterprises
Corporate governance theory	12	Corporate Social Responsibility
Creative accounting	8	Moral hazard
Globalization	6	Internationalization
governance practice	4	Stock-based incentives
Information Technology	6	IT-based co-creation of value
macroeconomic risks	3	2007/2008 financial crisis
Research methodology	11	Labor theory creation
Performance metrics	20	Goodwill
Organizational behavior	3	OCB
Others	6	Learning from failures
Ownership	8	Family firms
Politics	9	Privatization
Regulation	8	Sarbanes-Oxley
risk management	7	Information asymmetry

Epistemic area	Total Unique Key-Words	Sample
Sampling	8	Athens Stock Exchange
Public Relations	6	Social performance
Related Parties	3	nongovernmental organizations
Value systems	13	Justice
Total	152	X

Some keywords which belong in practice to two or more epistemic areas were grouped based upon the dominant aspect of the keyword. In the case of cross-border M&A, for instance, the focus of the discourse is at the crossroads of globalization and business combinations, but from an ideological perspective, the discourse emphasizes globalization in contrast with domestic M&A. After we determined the major epistemic areas , we mapped the keywords in the research papers based upon the categories. From the mapped research papers we derived two numeric variables and two variables which were analyzed in a univariate regression. Regarding the relative research priority metric which is the dependent variable of the study was derived from a popular keyword density formula adapted for use in the paper's context. The original formula is the following where X_j represents the presence of the phrase, T_i represents the word count of the phrase and $\sum_{k=0}^{n} i_{kj}$ represents the total word count from the text.

$$\rho_{ij} = X_j \times T_i \div \sum_{k=0}^{n} i_{kj}$$

This formula was modified for the purpose of the paper with the following variables:

$$\rho_{ij} = N_j \times f_i \div \sum_{k=0}^{n} i_{kj}$$

and

$$\bar{\rho}_i = \sum_{j=0}^{n} \rho_{ij} \div m$$

where $\bar{\rho}_i$represents the average focus on a particular epistemic area, N_j represents the total number of authors which contributed to the publication of a research paper, f_i represents the frequency of mentioning of the epistemic area within the keywords and $\sum_{k=0}^{n} i_{kj}$ as in the previous model represents the total number of epistemic areas tackled within the paper's keywords. The m variable represents the total number of research papers sampled. The rank of the paper was determined according to Mirimanoff's (1917) set theory. This variable depicts the average interest expressed in the subfield by researchers and forms the dependent variable of the model.

Regarding the independent variable, we picked the average presence of the epistemic area within the literature. This was determined by the following manner, where $\bar{\alpha}_i$ represents the average interest in the field weighted from all the key words mapped by the procedure.

$$\bar{\alpha}_i = f_i \div \sum_{k=0}^{n} i_k$$

The regression involves describing and evaluating the possible links between several variables.

Table 4. The Regression - Summary Output

Multiple R	0.81	$Ry / x_1, x_2, ..., x_k = \sqrt{\frac{\sum_{i=1}^{n}(\hat{y}_i - \bar{y})^2}{\sum_{i=1}^{n}(y_i - \bar{y})^2}} = \sqrt{1 - \frac{\sum_{i=1}^{n}(y_i - \hat{y}_i)^2}{\sum_{i=1}^{n}(y_i - \bar{y})^2}}$
R Square	0.65	$R^2 = \frac{\Delta^2_{y/x}}{\Delta^2_y} = 1 - \frac{\Delta^2_e}{\Delta^2_y} = \frac{\sum_{i=1}^{n}(\hat{y}_i - \bar{y})^2}{\sum_{i=1}^{n}(y_i - \bar{y})^2}$
Adjusted R Square	0.63	$\hat{R}^2 = 1 - \frac{\Delta^2_e / n - k - 1}{\Delta^2_y / n - 1}$
Standard Error	3.55	$s_e = \sqrt{\frac{\Delta^2_e}{n-2}} = \sqrt{\frac{\sum_{i=1}^{n}(y_i - \hat{y}_i)^2}{n-2}}$

According to the table above, the R^2 is close to tends to one, meaning the model explains 63% of the empirical observations. According to the Fisher test performed in order to rule out the null hypothesis, the significance of the model is satisfactory 1.42E-05<5%. Thus the model is valid.

Table 5. The Anova test

Anova	*df*	*SS*	*MS*	*F*	*Significance F*
Regression	1	437.6669	437.6669	34.65401	1.42E-05
Residual	18	227.3331	12.62962		
Total	19	665			

In addition, the p-value stats of the variables within the model fit the required statistical tests.

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
ϵ	17.80845	1.474047	12.08133	4.53E-10	14.71159	20.90531	14.71159	20.90531
α	-146.169	24.8301	-5.88677	1.42E-05	-198.335	-94.0029	-198.335	-94.0029

$$\bar{\rho}_i = -146.169 \times X + 17.80845$$

Regarding the coefficients, the surprising findings are that authors try to expand beyond the confines of the previous body of scientific literature and are discouraged to replicate previous studies or to adapt them to a new context. Instead, most authors try to explore new niches distinct from their predecessors. Thus, while the body of scientific literature does no encourage convergence of the studies towards a common topic, it does encourage a diversification of the scientific effort. For the emerging market research, where research is only beginning, such a trend could only mean a boom of scientific literature breaking new grounds awaits to be written.

Conclusions

It is challenging to study and analyze corporate governance in periods of economic turbulence. These activities should be communicated by presenting concrete results and achievements; this contributes to greater understanding of the nowadays research. Corporate governance is recognized as a key element in attracting investment and increasing economic performance and competitiveness in the long run. However, due to cultural factors, economic and social in emerging economies cannot speak yet of a comprehensive approach, especially when it is compared with developed economies. \ regarding the research of the relationship between corporate governance and goodwill we can say that the nowadays evidence is too variable to scratch up some generalizable conclusions. By this quantitative research of the relevant papers which bridge the gap between goodwill accounting and corporate governance, we conduct a meta-analysis of studies for the period 2011-2014. The data was extracted from the Science Direct database. Through our demarche we noted that the R^2 is close to tends to one, meaning the model explains 63% of the empirical observations. According to the Fisher test performed in order to rule out the null hypothesis, the significance of the model is satisfactory 1.42E-05<5%. Thus the model is valid. In addition, the p-value stats of the variables within the model fit the required statistical tests.

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Transformation of Banking Resources

Yurii PASICHNYK

Introduction

The peculiarities of banking resources transformation are presented in this article. The bank loan use analysis is done. Definitions of foreign and Ukrainian scientists on the transformation of banking resources are presented. The influence of banking resources on economic growth is shown. Recommendations on the effective operation of banks are developed.

Theoretical approach

The global financial crisis has made significant adjustments in the functioning of national banking systems. Today it is a necessary to form significant reserves for banking security. The National banking system is a guarantee for social and economic development, and therefore an important aspect of banking stability is the effective management of banking resources. Professionals working in the banking sector also share this opinion. The French economist Jean Matoukou (1994) expresses the thought that the banking institution is obliged to fulfill its debt obligations in full and in the due time; to pay the cash removed from the accounts through the office; to return deposits in agreed terms and to be responsible for possible extra-balance obligations.

American economists E. Reed, R. Cotter and E. Hill (1991) believe that the amount of cash and other liquid liabilities, as well as the possibility of rapid mobilization of funds from other assets, should be sufficient for the timely redemption of government and finance commitment. This point of view is also shared by the German economist B. Buchwald (2002), who evaluates the liquidity of the bank using the term “Liguiditat”; accordingly, the assets should be easily convertible into cash for fast implementation of commitments and payments of the bank.

According to “the golden banking rule”, the volume and timing of bank financial savings must be equal to the volume and timing of its obligations. However, such banking practice is rare. Maintaining a constant balance of assets and liabilities provides ensuring compliance with the “golden rule” with the practice.

In this context, the securitization of assets is of great importance. According to A. Nechaev (2009), the mechanism of securitization was first introduced over 30 years ago in the U.S. and completely revolutionized the banking and financial sectors. Today it is often called one of the main innovations of the twentieth century, which gave impetus to the development of financial markets. In this case, the current situation on the financial market shows us the other side of the drastic process of securitization. The increase in overdue loans and low liquidity have reduced the risk group of most securitized papers. Accordingly, a great negative evaluation of bank assets took place. As a result, banks specializing in investment operations suffered heavy losses and were devastated. In September 2008, one of the largest U.S. banks, Leman Brothers, bankrupted. Also in September 2008, U.S. authorities took control of Washington Mutual (WaMu), the third largest in assets U.S. bank. By results of the agreement, according to which the government acted as an intermediary, financial company JPMorgan acquired most of its business for \$ 1.9 billion. The acquisition of WaMu transformed JPMorgan into the largest depository institutions in the country of customer deposits a total of over \$ 900 billion. The bankruptcy affected the British banks, too. The eighth-largest asset and the fifth largest mortgage portfolio bank Northern Rock went bankrupt in early 2008 and was nationalized by the power. Unlike most banks that finance their business with clients' deposits, the business model of Northern Rock was built around mortgages. Most of the funds were received in the wholesale bank credit market selling the debts in the form of bonds. The demand for mortgage bonds (CDO) in the U.S. has led to problems in the financing of the bank.

As noted by Z. Gerasymchuk (2010), this case raises the issue of economic security banking, i.e. the condition for economic development and stability of the bank, guaranteed protection of its financial and material resources, the ability to adequately and economically respond to changes of internal and external situations. It should be noted that the particular importance of economic security in the system of bank security is conditioned by the desire of market entities to increase profits, intense competition, the diversity of interests within business banking market, market entities desire to increase profits, unstable economic situation and so on. Thus, the current terms of banking services and the level of influence of factors threatening internal and external environment require of banking institutions to raise security measures.

A. Vovchak (2009) analyzes the problem of providing banking services in some countries and compares the corresponding situation with Ukraine, stating: "Accordingly, it is possible to conclude about a significant difference in the level of providing banking services across the country. The relevance of this problem is compounded by the fact that, as the experience and statistics show, the better-developed banking system in the region is, the better its business develops. Accordingly, economic processes are stimulated, which further leads to improved living standards. The economy of some regions is not supported by the banking system, which adversely affects the socio-economic processes taking place there. In addition, the least developed banking infrastructure is in regions with low socio-economic development.

As the studies show, Ukraine has neither policy nor clear strategy for the regional development of the banking system. Moreover, there is no clear legal and regulatory framework of the functioning of regional banks. Therefore, there is a need to review the strategic goals and objectives of the banking system of Ukraine, its organizational structure and functional orientation on the way of joining the global and national regional processes. Among these tasks a special place should occupy regional banking system development, its goals and directions.

The essence of the process of regionalization is in the transfer of powers from the center to the regions. A vivid example of this process is the situation in the European Community. The most important focus of policy here is the institutional and economic support to the regions, there was even a slogan proclaimed: "From the union of countries, to the union of regions."

What place in the processes of regionalization in Ukraine does the banking system take and what are the dominant trends in its development? Having examined its organizational aspect, it can be argued that most Ukrainian banks position themselves as nationwide and carry out or intend to carry out its activities in several parts of the country. Regional banks are quite a few and they do not really affect the development of the whole economy and the regions where they are located. There is no segment of specialized banks in Ukraine, which would be involved in the implementation of similar types of services; cooperative banks are absent, either" (Vovchak, 2009, p. 23).

To strengthen the activities of banks, it is advisable to strengthen the capital base of banks, which is an efficient vector orientation of banks in the sector of resources transformation. Let's consider some views of scientists on the problem of transforming banking resources.

German scientist J. Stein (1991) notes "An important task is the transformation of banks … terms. Since the majority of depositors prefer binding equity for the short term, and funding for investment in the economy mostly requires long terms, banks should ensure coordination between the different views on the timing of binding capital. The task of transforming banks is also adapting to different values to each other. It is based on the fact that a substantial number of small deposits opposed to a small number of large loans. Transforming risks, terms and values is the central function of banks in the economy." (1991, p. 7).

The transformation processes are quite reasonably justified by M. Savluk, A. Moroz and M. Puhovkina (2001), who have discovered that transformation depends on variations in quality characteristics of the cash flows that pass through banks. Changing quality means that the set of "short" money changes to "long" resources, and the set of minor deposits transforms into a significant amount of resources able to meet customer needs in necessary capital to make required investment. The essence of the transformation process is to stabilize the bank-mobilized funds (Money and credit, 2001, p. 450).

E. Shirinska (1995) considers the problem of resources transformation not on the balance of some current accounts, but on current liabilities as a combination of the bank deposits. "The basis of the bank's funding base consists on attracted remedies which stability is one of the liquidity factors. By fixing terms, attracted resources are divided into two groups: managed resources and current liabilities. The first group includes term deposits attracted by banks and interbank loans. The second group includes the remains of the settlement, current accounts, correspondent loro accounts, and payables. Each group of liabilities should match its type of assets in terms of size and location. So, managed liabilities form the basis for targeted, program loans and current liabilities are the basis for market operations with "short" money." (1995, p. 41).

Some authors distinguish between different types of transformation. Thus, M. Savluk, A. Moroz and M. Puhovkina (2001) indicate: "The transformation of capital means that mobilizing large amounts of small contributions, the banks are able to accumulate large masses of capital to implement large-scale projects." "Transforming the risk lies in the fact that banks whose activities are associated with high risk can reduce these risks to their investors and shareholders to a minimum by taking appropriate measures." "The space transformation means that banks can accumulate resources from many regions … and send them to finance projects in one region … Thereby, the geographical scope of money market expands…"(Money and credit, 2001, pp. 450–451).

Vozhzhov A. (2006) summarizes the views of scientists: "Transformation of banking resources is the process converting accumulated assets in a condition that meets the requirements for placing them in the assets, i.e. the process of converting the accumulated funds in the form required for their transformation into resources and bank capital. The processes of transformation are provided by a qualitative change of settings from the accumulated bank assets and bringing them into conformity with the requirements of lending, investment banking and maintaining the required liquidity. As a result, options for the entire set of the means being at its disposal are taken in accordance with the settings of all the profitable bank assets in each present moment."(2006, p. 35).

Deep analysis of the articles on issues of banking resources transformation has revealed different approaches of the scientists reflecting the economic relationships in a particular country, peculiarities of the banking system and the relationship "bank-client". According to A. Vozhzhov (2006, p. 21), transformation here refers to the set of methods and means of the combination of short-term deposits and loans when a significant part of the total volume forms a permanent, stable, or irreducible balance.

Let's consider some calculation methods of banking resources transformation made by the scientists from different countries.

Here are the examples of French banks practice given by P. Konyukhovsky and O. Lavrushin (2001):

(1) $$K = \frac{R - S}{S} * 100\%$$

with *K* as transformation ratio of short-term resources in long-term ones (used by French banks); *R* as short-term resources; *S* as short-term loans and capital investments (2001, p. 390; p. 30).

P. Konyukhovsky (2001) takes it in relation to the Russian banks in such a way:

(2) $$K_T = 1 - \frac{\ddot{A}_{\tilde{A}}}{\hat{E}_{\tilde{A}}}$$

with K_T as transformation ratio of short-term resources in long-term ones (offered for the calculation by Russian banks); $Д_{ОБ}$ as debit turnover on issued short-term loans and other short-term deposits (up to one year's term); $К_{ОБ}$ as the credit turnover of capital inflows on savings accounts (up to 1 year's term) (2001, p. 31).

Accordingly, the scientific community has developed a theoretical and methodological support with specific analytical apparatus essential for the transformation of banking resources.

Taking into account the views of scholars, it is possible to depict the processes of transformation of banking resources (Figure 1).

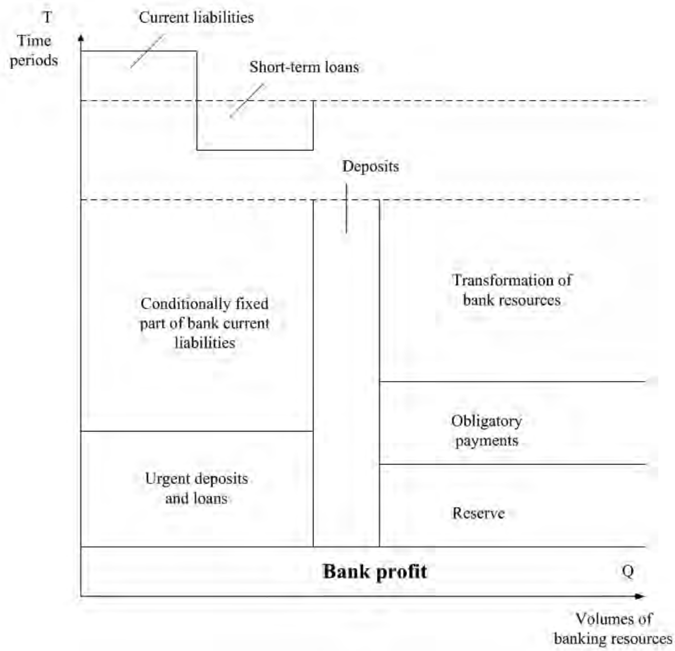


Figure 1. Transformation of banking resources

As this scheme shows, by the effective management of inclusion and using bank resources in the process of transformation, the efficiency of banks is achieved.

It is necessary to explain the transformation peculiarities of the individual components of bank resources. Let's start with the demand deposits. A. Vozhzhov (2006) mentions: "Bank provides essential work to build-up the volume of assets for individuals. Now in this section important role belongs to the introduction of "salary", "pension" and other card designs. With small amounts of residues for each of the accounts, together they form significant current liabilities. An important feature of current liabilities is that they are essentially the only cheap resource that allows you to receive significant interest margin." (2006, p. 70).

P. Rose (1995) states that "… demand deposits are the most volatile and least stipulated sources of funds provided by the bank, with the lowest potential terms …" (2006, p. 361).

E. Zhukov (1997) says: "The availability of customer accounts balances is related to settling funds for passive accounts in commercial banks during the period of time which is almost impossible to establish at the moment of revenues to the account… Payments by request are basically volatile, which limits the scope of their usage by commercial banks. For this reason, account holders are paid low or no interest at all." (Banks and Banking, 1997, pp. 199-200).

O. Lavrushin (2000) has the opinion that the demand deposits are relatively cheap for the bank and "at the same time they are the least stable of the resources, banks need to have the higher operational reserve to maintain liquidity. Therefore, the best proportion of these funds in the bank's resources is up to 30-36%." (Banking, p. 361).

D. Oliynyk (2001) on the basis of empirical studies has come to definite conclusions on the possibility of placing demand deposits. "Exploring the dynamics of current accounts "on demand", we can conclude that the total balances in such accounts have surprisingly high level of relative stability. The obtained practical results of the study come in certain conflict with the theoretical assumptions which characterize this group of bank liabilities. Results of empirical studies … have shown that during the calendar year a significant amount of balances "on demand" was not reduced below that level. This situation actually makes it possible to include a significant portion of current accounts of bank clients to medium and long-term credit. This means that the bank can afford to invest some part of balances "on demand" in the medium and long-term assets with no threat to its liquidity. The main objective of the bank manager, in this case, is to determine the optimal investment horizons, namely, what part of the balances "on demand" and for how long the bank can invest with minimal risk to its liquidity." (2001, p. 31).

Thus, many scientific assertions consider that demand deposits play an important role in the transformation of banking resources. These processes are mutually beneficial for both the bank and the client, as reported by A. Vozhzhov (2006): "Clients work with "reserve funds", their accounts regularly form balances which dynamics indicates vigorous client activity. These customers are highly desirable for the bank: they are actively engaged in calculations (by giving commission income) and form cheap bank resources."

Settling means on the account depends substantially on how skillfully and carefully the client manages its funds. A good customer makes sure that immediately after admission the funds are paid in accordance with his activity. This reduces his loan arrears, strengthens his reputation as a reliable partner and allows him to do business with less leverage. On this basis, it is possible to expect that this type of customer balances will be minimal. However, research has shown that a number of factors prevent it: first, the customer is forced to generate some savings for payroll, transfers of tax payments and so on, and this leads to the accumulation of account balance. However, the main factor is the inability to reset the client's current account with active credit turns on it during a business day. A customer transfers before the end of the operational time of the bank and means may come to his account even after that, until the end of business day. As a result, by the end of the day, some balances are being formed even with the clients carefully handling their own means. The more the turnover on the current account and the higher the intensity (frequency) of revenues during the day are, the more the minimum balance is. The characteristic feature of the ordinary current account is its periodic resetting, the customers who work actively enough form their minimal balance even at high controllability account.

Thus, the reason for balance on the current account is the mismatch of revenue timing and its withdrawal from the account (account crediting and debiting) in the presence of constraints: preventing debit balance on current account and inability to account debiting by the customer at the end of the bank operation day as well as the need for the client to periodically accumulate funds on the account for obligatory payments. Balances on current accounts are formed as a result of the interaction of these factors and the dynamic balance revenues and outflows in the general limits imposed by peculiarities of current accounts, banking services and characteristics of the client's operations, including its desire to minimize the balance on current account at the end of each business day." (2006, pp. 76-78).

We shall explain the features of the banking resources transformation. Transformation of means by request automatically results in the allocation of the conventionally permanent part of current liabilities which gives rise to its self-stabilizing. However, for the increase of this important component, the bank must constantly work to increase the number of clients on cash and settlement services, to increase the number of accounts for both private and corporate clients. Therefore, efforts of the bank management to improve T_{const} should be directed to attract and service new clients – legal entities and individuals, as well as to increase the number of correspondent banks that are active in loro accounts. Banks also have a direct interest in the prosperity and development of their clients, because the value of conditionally permanent part of current liabilities is directly proportional to the value of average balances in their current accounts.

Transformation of ultra-short unstable aggregate deposits in current liabilities with the allocation of their conditionally permanent, irreducible part is the manifestation of "bank effect". Transformation of ultra-short and small funds that are accumulated in the long and extensive resources shows the essence of creative banking with the setting and stabilizing of resources made of unstable credit means on demand. It is often assumed that the banking activity is speculative – buying funds at a low price, followed by higher reselling. This creates a somewhat negative attitude towards banking. Understanding the creative role of banks in establishing resources that meet the requirement of placing long assets should promote a positive attitude towards banking, awareness of the need for economic development. The essence of the transformation process not only reveals the creative generating function of banks in the economic system but also allows the reasonable approach to assessing the deposit and resource risks in banking.

According to the theory of probability, the range dispersion of a random variable X_i with a normal distribution is within $-\infty < X_i < +\infty$. In practice, the range of dispersion values is within well-defined range, which is $\pm 3\sigma$. However, the situation may change in the force majeure circumstances that should be considered in practice and will be discussed further. To calculate the probability of normally distributed random variable hitting on the plot, symmetrical about the center of dispersion (m), we shall draw consecutive sections of length σ. Since the normal curve is symmetrical, it is enough to draw these segments in one direction only. The graph in Fig. 3 shows the dependence of the probability (P) of hitting events in different intervals. Probability of hitting a random variable Xi in the interval ($t < Xi < t\text{-}\sigma$) is equal to 0.34, in the interval ($t - \sigma < Xi < t - 2\sigma$) is equal to 0.14, in the interval ($t - 2\sigma < Xi < t - Z\sigma$) is equal to 0.02. For normally distributed random variable the probability of hitting into the range $Z\sigma$ is the sum of three values of probability (0.34, 0.14 and 0.02), that is 0.5 or 50% (Fig. 2).

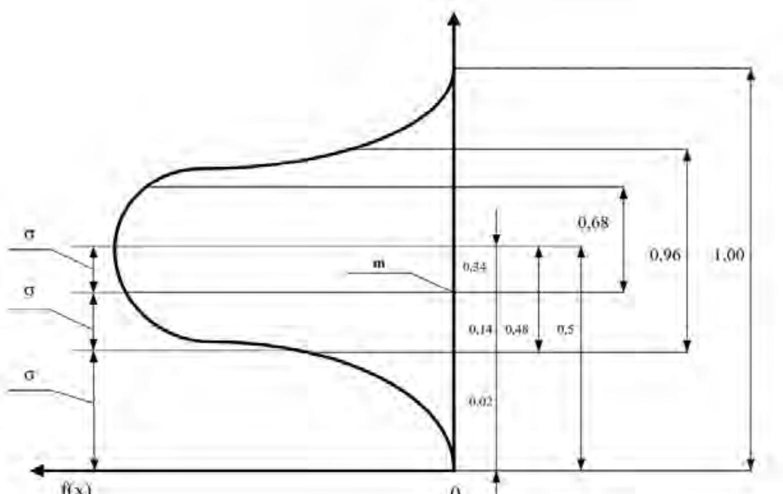


Figure 2. The probability hitting into the preset of random variable with normal distribution

The probability that a random variable falls outside the range $- 3\sigma$, is very small and makes 0.0027. This means that under normal conditions, only 0.27% of the actual value of the conditionally permanent part of current liabilities $T\Pi_{const}$ will be less than the estimated value, corresponding to a range of deviation $\pm 3\sigma$. Such events are considered to be unlikely and usually not taken into account in practice. However, according to the theory of probability, even the lowest probability of an event cannot be excluded. Therefore, the minimum balance ($TП_{const}$) is constant, but by the fact that probability of lowering the target still exists (especially in the emergencies), this component of current liabilities is legally called not constant, but the relatively constant part (2006, pp. 113-115).

Another problem is the transformation of banking resources in their variable of current liabilities.

The effect of this transformation is determined by the additional interest margin received by the bank using the variable part of current liabilities as a sustainable resource and is based on a comparison of interest margin derived by the bank when placing liability on the part of the short-term interbank market and when placed in terms of urgent assets.

The value of the additional interest margin is defined as follows:

(3) $$\Delta M = M_K - R_{SS}$$

with: ΔM as extra interest margin, which determines the effect of transforming the variable portion of the current liabilities of the sustainable and managed resources;

$M_к$ as the value of the margin received by the bank after the transformation of the variable part of the current liabilities into the part of the sustainable and managed resources;

R_{SS} (Returns short-term sale) as income that the bank will receive when placing the total amount of the variable part of current liabilities in the interbank credit market (without using the mechanism of transformation).

When placing capitals in urgent assets, emergency funds and conditionally permanent part of current liabilities, all the variable of current liabilities (ranging A-C) can be placed on the short-term interbank lending market. Revenues from the placement of variable part of current liabilities are determined by income from short-term interbank loans:

(4) $$R_{SS} = V_{SS} \cdot I_{SS} \cdot t$$

with: V_{SS} (Value short-term sale) as the active volume of interbank transactions;

I_{SS} as the interest rate on short-term interbank loans;

t as the time period for which the calculation is performed.

The amount of resources in the range of A-B (ie, the entire range of scattering) is equal to the math expectation value of customer accounts balances, and the formula can be represented as follows:

(5) $$R_{SS} = m \cdot I_{SS} \cdot t$$

with m as the mathematical expectation (average value) of the flickering current liabilities.

Stabilization of liabilities in the range of A-K for the increase in immediate active operations will result in the periodic occurrence of temporary shortage of resources at the end of business day, requiring short-term borrowing in the short-term interbank market. At the same time, reduced amount of active interbank transactions are now limited in the range of K-V. The value of the interest margin to be received by a commercial bank after transformation is defined as follows:

(6) $$M_K = R_C^K - E_{SP} + R_{SS}^K$$

with R_C^K (Returns from credit) as revenues from resource allocation of the variable part of current liabilities (range A-C) in urgent assets;

R_{SS}^K (Returns short-term sale) as revenues from the placement of the variable current liabilities (range K-V) in the interbank credit market;

E_{sp} (Expenses short-term purchase) as costs to attract short-term interbank loans (in the range A-K) to cover the temporary deficit of resources.

Evaluation of effect of the use of variable part of current liabilities is shown in Figure 3.

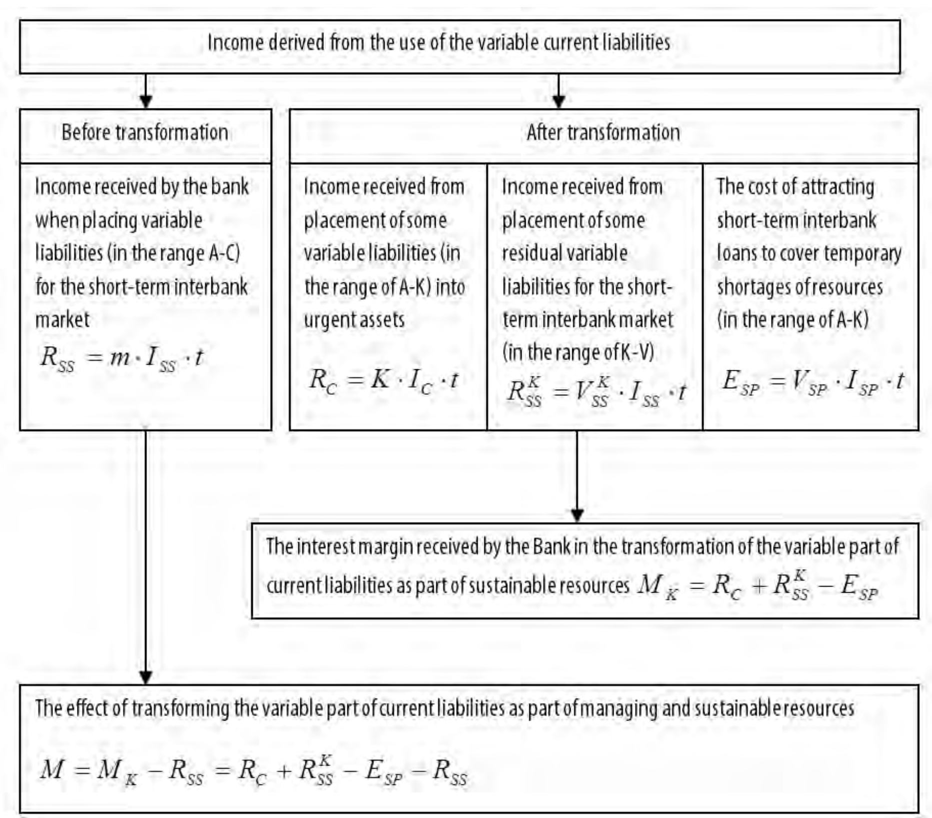


Figure 3. Evaluation of effect of the use of variable part of current liabilities for immediate active operations

The effect of altered transformation of the current liabilities into part of the sustainable resources defines revenue from urgent loans and investments, formed by the fact that the bank sends means into the most profitable active transactions that were previously placed in short-term interbank loans (2006, pp. 136-137).

The following shows how it is implemented in practice in Ukraine in 2013:

Analysis of the structure of loans to non-financial corporations within regions proved that most loans were received by trade, car repairs, household appliances and personal use – 219,325 million UAH (36% of all loans granted), manufacturing – 120,265 million UAH (20% of all loans granted) and real estate, renting and business activities – 105,021 million UAH (17% of all loans granted). The worst situation is on crediting for education, health and social work, fishing and fish farming. Amounts of funds received by these industries are so scarce that they make up almost 0% of total loans granted (2014).

A particular characteristic of this situation typical for Ukraine in recent years is provided by Z. Gerasymchuk (2010).

The problem of regional economic development of priorities in the current banking system is being complicated. It is based on the stability of banks that is preventing the bankruptcy of banks, ensuring its safety for investors, when in the world practice investing is a financial transaction, an integral part of which is receiving interest income and, therefore, the adoption of a particular risk of no return on investment. That is why it is necessary to slightly change the focus strategy of the banking system of Ukraine and to make it support the economy of the country and its regions. The better the economy is functioning, the better the average of profitability will be, it will lead to the increase in average wages and will not trigger inflation, as this increase will be underpinned by an increase in the mass of commodities and, consequently, will lead to the enrichment of the population. This enrichment will stimulate an increase in the share of income that goes to savings and therefore will increase the deposit base of banks (2010, p. 10).

We will show how the processes of transformation of banking resources may affect economic growth by affecting the supply and demand (Figure 4) (Vozhzhov, 2006, p. 300).

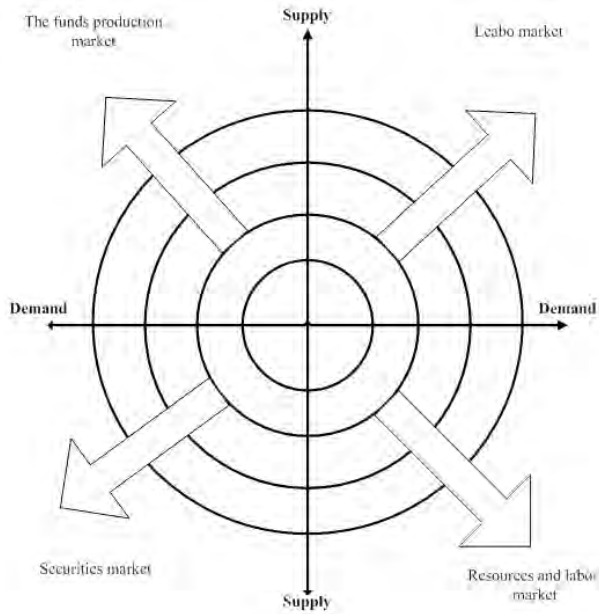


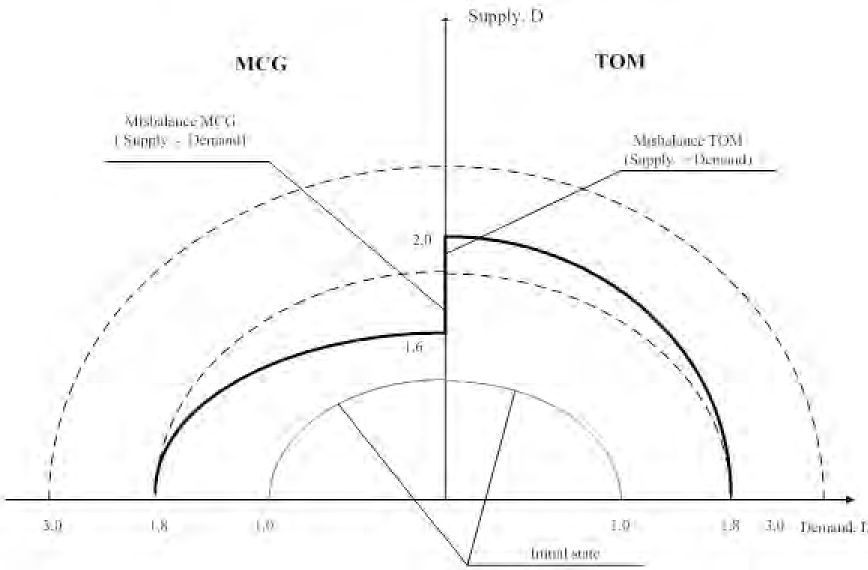
Figure 4. Economic growth with balanced supply and demand changes in the economic system market

This figure clearly shows the relationship between the most important markets of the financial system with the role of bank resources as a connector in these processes. This means that any problems in the banking system, particularly in the transformation of their resources, due to open markets affect economic growth through supply and demand.

Some situations in these relationships are caused as follows:

- The proportionally balanced increase of supply and demand in the turn-off market;
- Misbalance of supply and demand on the market of production with the delay growth rates in relation to the turn-off market;
- Misbalance of supply and demand on the stock market with excess of demand over supply;
- Misbalance of supply and demand on the labor and resources market with an excess of supply over demand.

One of such possible situations is shown in Figure 5 (2006, p. 291).



MCG (РСП) – the market of capital goods;
TOM (РКП) – the turn-off market

Figure 5. Misbalance of supply and demand in consumer crediting of domestic products

As follows from Fig. 5, the use results of credit issue for the expansion of consumer credit on the purchase of durable goods of domestic production will lead in this case to the deregulation of both the market of capital goods and the turn-off market. In this case, misbalance in MCG will be 0.2 D and in TOM – 0.2 D from the volume of emissions.

Conclusions and implications

This study, clarifying features of the functioning of the banking systems in individual countries and particularly in Ukraine, and analyzing transformation processes of banking resources, leads to the following conclusions. It is necessary to provide security for banking stability and dynamic development in any country of the world. The transformation of banking resources is a complex and variable process so the bank managers should constantly monitor the banking resources. Today both theoretical and practical methods to control the transformation of banking resources are designed and implemented which contributes to the stable operation of banks, in particular using the Agreement "Basel 3."

Bank resources, formed in an open environment of the financial system are movable, so it is essential to have qualified professionals in the management structure of the banks.

These recommendations will certainly contribute establishing efficient operation of banks.

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Assessment of Economic Viability in Agriculture

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Introduction

Economic viability is important for all agricultural entities and has become an increasingly relevant and widely discussed research subject. The relevance of the subject is based on the EU agricultural policy for the period of 2014-2020 that views the growth of the economic viability of the small- and mid-sized farms as one of its priority aims. The objective to increase farm economic viability is sought by promoting entrepreneurship among farms, creating new working places and taking measures against a reduction in rural population rather than making the farms larger.

Researchers (Adelaja, Sullivan & Lake, 2005; Popelier, 2005; Scott, 2001; Scott & Colman, 2008) typically use financial indicators and statistical methods to measure the economic viability of agricultural holdings. There are scientists (Offermann, Nieberg & Zander, 2009; Scott, 2005; Whitaker, 2010) who focus on the effect of support in assessing farm economic viability. Others (Adelaja, Garcia, Gibson & Lake, 2007; Cain, Anwar & Rowlinson, 2006; Popelier, 2005; Savickienė & Slavickienė, 2012) analyze the internal and external factors of economic viability. Assessment of the relative financial indicators of the farms alone does not provide clear insight into the general condition of the farm or tendencies of economic viability. It is, therefore, necessary to develop the methodology for evaluation of farms economic viability in the short or long period by using a common indicator in an integrative way. Thus, the following scientific problem has been put forward: which methodology is the most appropriate for evaluation of farm economic viability? This problem is relevant both in the theoretical and practical aspects. The novelty of the research is based on the innovative method of development of integrated indicator expressing the economic viability that will allow evaluating farms by forming the agriculture policy and farm perspectives.

Research object: assessment of farm economic viability.

Research aim: to develop the methodology for assessment of economic viability of agriculture.

Research objectives:

- to provide the definition of farm economic viability within the research context;
- to assess the methodologies for assessment of economic viability suggested by researchers and identify the most significant indicators for the assessment of economic viability of farms;
- to develop the methodology for assessment of economic viability of agriculture.
- to perform the empirical research on the model of economic viability assessment based on the analogical findings on farms in Lithuania and the EU.

The following methodology has been applied to solution of the scientific problem:

- The concept of farm economic viability has been developed under the methods of scientific literature analysis, summarization, and comparison.
- The common scientific research methods have been used in the analysis of the methodologies for evaluation of economic viability and identification of the most significant indicators used in the assessment of farm economic viability, including the common scientific methods of research: literature analysis and synthesis, induction and deduction, comparative methods and the graphic visualization.
- The model for assessment of economic viability of agriculture has been developed under the common scientific research methods of monographic research, synthesis, summarization, and comparative analysis.
- The methods of grouping, comparison, connection and graphical representation have been used for processing and systematization of statistical information.

The research is based on the research data on performance results by farmers' farms entered into the Farm Accountancy Data Network (FADN). Data on the performance of the Lithuanian farms from the FADN, period 2010-2012, have been used for the research. EU-27 farm data for the year 2011 have been used due to the absence of later consolidated statistics on the EU level. The data on the EU countries have been published in the *EU farm economics overview FADN 2013*.

Authors' further research focus is the identification of major factors of assessment of farm economic viability.

Concept of farm economic viability

Farm economic viability is a rather ambiguous concept that is difficult to define in a universally appropriate way. Farm economic viability is defined in a variety of different ways in the scientific literature (Bossel, 2001; Koleda & Lace, 2009; Scott & Colman, 2008). Interpretation of the concepts of farm economic viability depends largely on certain aims of assessment, as researchers have employed financial, economic, social, ecological, and environmental dimensions of viability for assessment of farm economic viability. Farm economic viability is the most usual term used in the research literature. Nonetheless, its meaning has become less definitive in economic terminology. As a result, findings are often interpreted differently due to the absence of a precisely defined concept of farm economic viability.

Farm market activity is subject to constant change of farm economic viability. This is caused by indefinite nature of the farm activity, volatility of the expected results, risky decisions in light of the changing context. The need for assessment of farm economic viability has become even more urgent due to rapid change of market conditions. If not assessed, farm economic activity may affect performance results of a farm on the market.

According to researchers (Bossel, 2001; Scotti, Bergmann, Henke & Hovorka, 2011), despite the large number of various approaches towards farm economic viability, all of them may be essentially merged into two main groups that characterize farm economic viability: first group – capability of a farm to survive, second - farm economic viability viewed as development of a farm (Table 1).

Table 1. Analysis of notions of economic viability

Author	Notion/approach	Approaches towards farm economic viability
Singh, Bhullar, and Joshi, 2009	Economic viability – profitable activity by a farm.	Survival
Lin, 2002	Economic viability – an expected profit margin.	
Morehart, 2000	Economic viability in the short term – farm value added covering variable costs only.	
Scott, 2005	Economic viability – positive net value added the result of a farm.	
Popelier, 2005	Economic viability – optimum use of available funds.	
Koleda & Lace, 2009	Economic viability in the long term – farm total output at basic prices covering total farm costs and household costs.	
Adelaja & Sullivan, 1998	Economic viability – positive cash flows ensuring liquidity and solvency of a farm.	

Author	Notion/approach	Approaches towards farm economic viability
Dillon, Hennessy, Hynes & Commins, 2010	Economic viability – profitable and prospective activity.	Development
Adelaja et al., 2007	Economic viability – profitable and stable activity of a farm.	
Koleda & Lace, 2009	Economic viability – capability of a farm to grow and develop as a result of optimum allocation and effective use of resources.	

The aforementioned groups enable differentiation of the concept of farm economic viability that represents general scientific approach towards dichotomy of farm economic viability. In the first case, farm survival is in the focus, while in the second case, economic viability is perceived as the development of a farm.

When the concept of farm economic viability is analyzed within the context of farm survival, certain attributes that determine the farm survival factors acting on farm economic viability must be considered:

- negative net value added of a farm;
- misbalanced payments of a farm;
- climate fluctuations (loss of assets);
- seasonality of activity.

The above factors affect agricultural activity, an organization of production, performance efficiency, financial result of the activity, and, in turn, farm economic viability.

The analyzed factors are suggestive of the concept of **farm survival**, based on the researchers' ideas, namely: farm survival is the condition when farm sustains on the reserve rather than net value added (Scotti et al., 2011).

When the concept of farm economic viability is analyzed within the context of farm development, certain attributes that determine the farm development factors acting on farm economic viability must be considered:

- positive net value added of a farm;
- balanced payments of a farm;
- stable farm growth;
- investment into new technologies; knowledge; innovations, etc.

The aforementioned factors are more focused on qualitative and quantitative changes, i.e. on farm growth and development. Qualitative changes cover progress, modernization, technologies, consistent improvement of processes at a farm. Quantitative changes cover the growth of farm activity.

The analyzed factors are suggestive of the following concept of **farm development**, namely, that farm development is the farm condition when the farmer leverages farm resources for further development (Koleda & Lace, 2009).

Certain researchers (Bossel, 2001; Scotti et al., 2011) combine the concepts of survival and development to define viability and suggest viewing viability systematically. Scott (2005) and Park and Allaby (2013) extend the systematic assessment of the viability concept by introducing the concept of farm life.

When the concept of farm economic viability is analyzed within the context of farm life, certain attributes that determine the farm life factors acting on farm economic viability must be considered:

- output at basic prices;
- intermediate consumption;
- depreciation;
- external factors.

The aforementioned factors have an effect on the financial performance result and, in turn, farm economic viability. The analyzed factors are suggestive of the concept of **farm life**, which, pursuant to the researchers' insights, is the condition, when net value added is sufficient for the farm to live (Scott, 2005). According to Bossel (2001), a farmer satisfies a majority of his/her physiological, safety, social and other needs by developing his/her activity. *The theory of needs* focuses on what the farmer needs to live his/her life to the fullest. Persons working at the farms develop their needs as well as the sequence of steps towards satisfaction of such needs. This means that they will not necessarily direct their activity towards growth or development of the positive result.

In order to identify the functional importance of components comprising the concept of farm economic viability at all stages of farm lifecycle, the systematic approach towards viability must be employed. Such approach enables a wide variety of studies that may be performed. The starting point for the direction of studies is the definition of viability.

In general, the concept of farm economic viability has a number of different definitions: from the capability to survive to farm development. The concept of farm economic viability has been developed taking into account the concepts used by researchers in other countries (Bossel, 2001; Park & Allaby, 2013; Scotti et al., 2011). The Economic viability of a farm is its capability to survive, live, and develop by using the available resources.

Theoretical reasoning of assessment of farm economic viability

A number of various relative indicators, methods of their grouping, calculation as well as employment for analysis have been provided in the scientific literature. Although grouping of indicators facilitates their analysis, different authors group same indicators under different principles, which means that the groups differ not only by the indicators but also by the number of indicators. Opinions of both Lithuanian and foreign authors differ in this respect.

Indicators that must always be assessed for consistent analysis of changing the situation of a farm are highly important, as they allow explaining the key aspects, identify benefits and shortcomings of the farm activity. Interpretation of indicators empowers the researchers in assessment and development of possible solutions. It is, therefore, important to perform a systematic analysis of farm economic viability by combining the components of concept (survival, life, and development).

Analysis of studies on assessment of farm economic viability performed by researchers (Argiles, 2001; Koleda & Lace, 2009; Popelier, 2005; Scott, 2008; Tillack & Epstein, 2000; and others) has suggested that there is no single opinion on which indicators in the methodology provide the best assessment of farm economic viability. Differences in opinions are usually determined by researchers' individual approaches towards economic issues, and the diversity of opinions demonstrates the necessity to establish a methodology for assessment of farm economic viability.

Researchers (Scott, 2001; Singh et al., 2009) claim that significant differences between farm economic viability may be observed if viewed individually in different countries. This is determined by natural differences, different support policies, return on investment, labor productivity, land productivity, etc. It is, therefore, important to analyze and assess methodologies for assessment of economic viability and their applicability to the determination of farm economic viability in Lithuania.

Absolute and relative indicators are usually used for assessment of farm economic viability. Indicators that must always be assessed for consistent analysis of changing situation of a farm are highly important, as they allow identifying the stage of the economic viability of a farm activity.

Main information used in the assessment of farm economic viability is drawn from financial statements. Statements provide evidence of assessment of internal indicators of farms. Relative financial indicators would probably provide the simplest way for assessment of farm economic viability. Indicators are grouped by two research directions. One group of researchers presents indicators for the assessment of farm economic viability and provide evidence for their limits by empirical research, while other researchers confine to the presentation of the indicators only.

Scientific literature analysis has shown that 20 relative indicators have been usually used by the researchers. Relative indicators included by the researchers into their final models for assessment of farm economic viability are presented in Table 2. Table 2 presents only the indicators that have been used more than once. The total of eleven indicators satisfying this condition has been identified.

Based on the studies employing regression analysis performed by researchers (Doye, 2009; Scott & Colman, 2008; and others), indicators identified as the most significant are equity and return on assets, debt ratio, operating expense ratio, current ratio, gross margin, as they have been used most often in the researchers' methodologies.

Table 2. Comparative analysis of methodologies on assessment of farm economic viability

Indicators	Frequency of use, number of occurrences
Return on equity: farm net value added / equity	******** - 8
Return on Assets: farm net value added / assets	******* - 7
Operating expense ratio: expense / total output at basic prices	******* - 7
Current ratio: current farm assets / current farm liabilities	***** - 5
Debt to assets: total farm liability / total farm assets	**** - 4
Gross margin: farm gross value added / total output at basic prices	**** - 4
Asset turnover ratio: total output at basic prices / total assets	*** - 3
Labor productivity: Farm net value added / annual work unit (AWU)	*** - 3
Land productivity: Farm net value added / hectare of UAA	*** - 3
Debt to total output ratio:: debt / total output at basic prices	** - 2
Depreciation expense ratio: expense / total output at basic prices	** - 2

The set of identified indicators fails to comprehensively define the situation that the farm operates in, i.e. does not reflect the current stage of farm activity (survival, life or development stages).

Analysis of methods for assessment of economic viability has suggested that the choice of specific farm economic viability indicators should be guided by the goals of farm economic viability, such as:

- the growth of agricultural output;
- assurance of normal standard of living for farmers;
- market stabilization;

- assurance of foodstuff and other agricultural product supply and storage conditions;
- assurance of consumers' access to foodstuff at prices acceptable to the consumers (European Commission, 2010).

Given that key goals of farm economic viability are related to farming life and development, the aforementioned combination is usually targeted towards assessment of indicators. However, Bossel (2001) has noted that certain shortcomings of farm economic viability become evident when assessment of farm economic viability is interpreted by focusing on the sets of indicators. On the other hand, calculation of individual indicators fails to provide comprehensive information and makes interpretation more difficult. Yet, no attempts have been made to develop a single integrated indicator consisting of the existing sampled indicators under the systematic approach. The integrated indicator would enable faster determination of the farm activity stage and the measures that must be undertaken to improve farm economic viability (Bossel, 2001).

Studies by Koleda & Lace (2009), J.M. Argiles (2001) have shown that financial factors and the indicators defining them are the most significant. The question is which financial indicators should be applied, and which of the indicators are more important. Financial indicators found most often in the scientific literature for assessment of farm economic viability is presented in Table 3. Koleda & Lace (2009) have developed factor analysis models for indicators sampled under the method of regression analysis and have performed the study to analyze the components of each specific indicator.

Following the analysis of indicators used in the methodologies for assessment of farm economic viability (Table 3), comprehensive analysis of eleven indicators has been performed.

Information in Table 3 is suggestive of the importance to include not only the relative financial indicators (grouped by stability, solvency, profitability, turnover, and performance efficiency) but also other non-financial indicators into the assessment of farm economic viability. Four main components may be identified in the methodology for the description of financial indicators (Table 3) based on their more than two occurrences: total output at basic prices, costs, assets, liabilities. Nonetheless, other indicators presented reflect the components of the main indicators (current debt, current assets, depreciation, intermediate consumption, etc.).

Table 3. Indicators defining assessment of farm economic viability (Koleda & Lace, 2009)

Indicators	Calculated for agriculture	Description of indicators
Return on Equity	$ROE = \frac{TO_{BP} - (INT_{CONS} + T + D + EXT_{FAC} + UNP_{LAB})}{E}$	TO_{BP} – total output at basic prices INT_{CONS} – intermediate consumption T – taxes D – depreciation EXT_{FAC} – external factors UNP_{LAB} – value of unpaid labor (farmer and family members) A_{CURR} – current farm assets A_{FIXED} - fixed assets D_{CURR} –current debt D_{FIXED} – fixed debt L – liabilities A – assets E – equity AWU – annual work unit HA - hectare of the utilizable agricultural area (UAA)
Return on Assets	$ROA = \frac{TO_{BP} - (INT_{CONS} + T + D + EXT_{FAC} + UNP_{LAB})}{A}$	
Operating expense ratio	$OPER_{EXP} = \frac{(INT_{CONS} + T + D + EXT_{FAC} + UNP_{LAB})}{TO_{BP}}$	
Current ratio	$CURRENT = \frac{A_{CURR}}{D_{CURR}}$	
Debt to Assets	$D = \frac{L}{A}$	
Gross margin	$GROSS_{MARGIN} = \frac{TO_{BP} - (INT_{CONS} + T)}{TO_{BP}}$	
Asset turnover ratio	$A_{TURN} = \frac{TO_{BP}}{A}$	
Labor productivity	$= \frac{TO_{BP} - (INT_{CONS} + T + D + EXT_{FAC} + UNP_{LAB})}{AWU}$	
Land productivity	$= \frac{TO_{BP} - (INT_{CONS} + T + D + EXT_{FAC} + UNP_{LAB})}{HA}$	
Debt to total output ratio	$D\_TO = \frac{L}{TO_{BP} - (INT_{CONS} + T + D + EXT_{FAC} + UNP_{LAB})}$	
Depreciation expense ratio	$D_{EXPEN} = \frac{D}{TO_{BP}}$	

The integrated indicator is offered to be developed from the components (Figure 1) of the most frequently occurring indicators (Table 3) with reference to the conducted analysis and for the purpose of development of the model for assessment of farm economic viability, as these components define the stages of survival, life, and development and may be attributed to specific characteristics of the respective area.

According to researchers (Scotti et al., 2011), debt indicator is very important in the assessment of farm economic viability during the survival stage of farm activity, as the indicator reflects the capabilities of the farm to comply with its liabilities and find sources to cover the emerging losses. It demonstrates the possibilities for restoration and preservation of the farm activity.

The worsening financial condition of farmers' farms could hardly be avoided at the life stage of farm activity in the modern business environment. Therefore, the size of available assets is highly important in the business development of farm activity, as the size of available assets points at the solvency level, possibilities for the farm to draw funds from internal resources, financial risk, the threat of a non-viability threat.

According to certain researchers (Morehart, 2000; Zeddies, 1991), the development stage of farm activity reflects the farmer's possibility to combine the capital, labor and natural resources for the organization of business, implementation of innovations for the purpose of generating profit and taking a risk with own assets. Farm economic viability is determined by the capability to produce better and at a lower cost than others. Development stage of farm activity reflects the total output at basic prices and costs that are viewed as positive performance result of farming activity by a farmer's farm for the certain period.

Figure 1. Components of the model for assessment of farm economic viability

The proposed components of the model for assessment of farm economic viability would reflect all the main analyzed activity areas of farmers' farms, as the insufficient representation of the activity areas is one of the main shortcomings of the models applied by the aforementioned authors.

In general, indicators comprising survival, life, and development stages of farm activity could be claimed to be economic, as they combine production factors (capital, labor and natural resources) and point at the capability to organize business, develop and introduce innovations, taking risk with own assets and welfare for the purpose of profit generation. Interpretation of the survival, life, and development indicators depends on certain goals of the assessment, as researchers have attempted to assess not only the economic, but also entrepreneurial, technology, strategic, human, and other factors.

The paper further deals with the development of a model for assessment of farm economic viability that would enable not only forecast any impairments of the financial condition of farm in advance, but also assess the development potential of the farm.

Methodology for assessment of farm economic viability in agriculture

In view of the discussed theoretical methodologies for assessment of farm economic viability and the most significant indicators for assessment of farm economic viability, two key integrated components of the model for assessment of farmers' farm activity may be put forward:

1. indicator reflecting the farm condition;
2. indicator assessing farm economic viability.

Methodology for assessment of economic viability of agriculture is formed of two indicators. The first indicator reflecting the farm condition is an intermediate indicator pointing at farm performance, earnings for the reporting period, and current stage (survival, life, or development) of the cycle. If positive, the indicator shows the share of farm gross value added at basic prices, left for the farm development potential, while negative result signals the level of risk at the farm (1). The indicator of farm condition ensures the fastest and most accurate identification of disturbances in farm activity.

$$FARM_{CONDITION} = \frac{TO_{BP}}{(INT_{CONS} + T + D + EXT_{FAC} + UNP_{LAB})} \quad (1)$$

The indicator of farm condition assesses the share of total output at basic prices that may be generated by the farm from its main activity. This indicator also points to the possibilities for the farm to change the nature of its activity. Farm condition is at the stage of survival if the indicator of farm condition is above 1. In the case of stable farm activity, the indicator usually ranges between 1 and 12, which means that the farm is in the stage of life. If the farm is in the stage of development, this indicator defines profitability of activity and must be higher than ratio 1.2 (Doye, 2009).

For integrated assessment of farm economic viability, two types of indicators are used in the research defining the farm condition and solvency (ratio of farm total assets to total liabilities). Application of different indicator groups helps make a proper assessment of different aspects of farmer activity.

Following assessment of the farm condition, the integrated indicator assessing the farm economic viability (2) is calculated and covers the farm assets, liabilities, total output at basic prices, and costs (Figure 1). Several indicators have been used for assessment of farm economic viability. A single integrated indicator is formed of the components of those indicators to identify the current stage of the farm (2).

$$ECONOMIC\_VIABILITY_{FARM} = \frac{TO_{BP} + (A_{CURR} + A_{FIXED})}{(INT_{CONS} + T + D + EXT_{FAC} + UNP_{LAB}) + (D_{CURR} + D_{FIXED})} \quad (2)$$

The composed integrated indicator assessing farm economic viability will help not only better forecast any impairments of the financial condition of the farm, but also assess the yet unemployed potential for development, as well as the extent to which this potential would support life and development of the farm. If below 1, the indicator is indicative of the period left for the farm to sustain on the available potential. If above 1, the indicator is indicative of the potential for farm development.

Empirical research on assessment of economic viability at farmers' farms in Lithuania and the EU

For empirical verification of the research methodology, the research has covered farmers' farms in Lithuania in 2010-2012 and the EU, according to the year 2011 data stored in the FADN.

The model for assessment of farm economic viability is developed by employing the three-year data of farmers' farms engaged in agricultural activity that performed accounting and provided information on their operation and financial activity. N.K. Malhotra (2007) equation has been used to validate representativeness of the sample and has shown that in 2010 – 108.0 thousand, in 2011 – 110.2 thousand, while in 2012 – 113.8 thousand of farmers' farms were registered in Lithuania, according to farmers' farm registry data. This means that for the data to be reliable in terms of the number of farms, about 900 farms must be taken for each year. The authors have used the data of over 1300 farmers' farms for each year analyzed in the research. The estimated indicator of farm condition has shown the earnings of the farm and presence/absence of any loss during the reporting year (Table 4).

Table 4. Empirical study of the indicator reflecting the farm condition

Meaning of the indicator	Y 2010		Y 2011		Y 2012	
	Number of farms, units	%	Number of farms, units	%	Number of farms, units	%
< 1.0	284	21.7	293	22.4	226	17.3
1-1.2	256	19.6	266	20.4	234	17.9
1.2-1.4	277	21.2	321	24.6	301	23.1
1.4-1.6	220	16.8	189	14.5	235	18.0
1.6-1.8	136	10.4	120	9.2	151	11.6
1.8-2.0	57	4.4	59	4.5	71	5.4
2.0-3.0	64	4.9	53	4.1	74	5.7
> 3.0	14	1.1	5	0.4	12	0.9
Total	1308	100	1306	100	1304	100

Data in Table 4 suggest that the majority of farms incurred a loss in 2010–2011, as the indicator was below 1, i.e. was about 22 % (farm activity in the survival state). It is, therefore, important that a farm becomes aware of the necessity to renovate promptly. The indicator grew by 5 % points in 2012. A considerable share of farms was in the life stage, ranging from 17.9 % to 20.4 % in the analyzed period. In case a farm is in the life stage, it may either continue to grow or, having overestimated its capabilities, be subject to reducing production rates. The activity of the remaining share of farms is in the development stage, which has accounted for the 60 % of all the analyzed farms. This stage of development is characterized by the further growth of farms. This stage involves the growth of physical capital (buildings, equipment, etc.), improvement of the products and the scope of production. Growth occurs at varying rates regardless of the stage, as it depends on seasonality of the activity, climate fluctuations, market conditions, inflation, etc.

Indicator of assessment of farm economic viability is integrated, as it is comprised of two indicators defining the farm condition and level of general solvency (Table 5).

Table 5. Empirical study of the indicator assessing farm economic viability

Meaning of the indicator	Y 2010		Y 2011		Y 2012	
	Number of farms, units	%	Number of farms, units	%	Number of farms, units	%
< 1.0	6	0,5	4	0,3	4	0.3
1.0-2.0	153	11.7	168	12.9	158	12.1
2.0-3.0	346	26.5	372	28.5	400	30.7
3.0-4.0	312	23.8	353	27.0	369	28.3
4.0-5.0	235	18.0	205	15.7	194	14.9
5.0-6.0	133	10.2	116	8.9	90	6.9
6.0-7.0	68	5.2	44	3.4	38	2.9
> 7.0	55	4.2	44	3.4	51	3.9
Total	1308	100	1306	100	1304	100

The estimated indicator assessing farm economic viability and the data in Table 5 suggest that only 0.5 % of farmers' farms are in the survival stage. On the other hand, the indicator of farm condition provided the result of 20 % of such farms. Hence, assessment of farm economic viability must follow calculation of the indicator of farm condition, as positive results of the indicator assessing farm economic viability is largely affected by the size of assets of the farmers' farm. Non-current and current liabilities included in the methodology are indicative not only of the financial risk of farmers' farm but also should be one of the key indicators reducing farm economic viability. On the other hand, the level of liabilities in the indicator of farm economic viability shows a low debt of farmers. About 16 % of the analyzed farms were debt-free. The level of debt is low both in Lithuania and in the EU-27. Assets exceed debt by 4–6 times (European Commission, 2013).

Table 6. Empirical study of indicators of farm condition and assessment of farm economic viability (FEV) in Lithuanian farms, 2011

Stages of farm activity								
Survival			Life			Development		
Farm code	Indicator of the farm condition	FEV indicator	Farm code	Indicator of the farm condition	FEV indicator	Farm code	Indicator of the farm condition	FEV indicator
Trak 50	0.437305	3.66195	Kaun 117	1.03062	0.9891	Trak 307	1.73074	16.3391
Mari 53	0.468429	3.62646	Kelm 501	1.00239	0.9511	Roki 302	1.14580	15.8709
Plun 14	0.476617	4.37242	Akme 25	1.02444	0.7147	Roki 134	1.98337	15.4941
Mari 132	0,486769	5.52345				Skuo 80	1.05756	14.8637
Jurb 146	0.494198	2.95172				Pakr 26	2.26899	14.0852
Siau 39	0.501783	1.86531				Mari 43	2.80635	13.9529
Akme 76	0.534778	1.56108				Skuo 127	1.49060	13.6454
Akme 55	0.544593	1.87271				Jurb 138	3.73271	13.1428
Zara 47	0.549081	2.13377				Tels 131	1.53627	12.8126

Data in Table 6 suggest that while the indicator of farm condition is negative for farms in the survival stage, the estimated integrated results of the indicator assessing farm economic viability are good and imply that, under the current condition, a farm in Akme 55 would be subject to the shortest period of survival, i.e. 1.6 years, while a farm in Mari 132 would have the longest time to survive, i.e. 5.5 years. This is influenced by the size of available farmers' assets used in the farm activity.

Estimation of the indicators of farm condition and assessment of economic viability of farms in the life stage has suggested that the indicators are very similar and equal to 1 (Table 6). This is due to worsening a financial condition that can hardly be avoided at the beginning of farm activity, as well as a rapidly changing environment that the farmers become subject to.

The indicators (Table 7) are good for the farms in the development stage and show that, if as long as the farm maintains the current condition, the farmer is capable of accumulating the reserve, investing into assets, new technologies, etc. The main goal of any farmers' farm is not the only production of the amount of agricultural and food products to satisfy the family needs, but also the generation of sufficient income to ensure the normal standard of living for the family and further development of the anticipated activity.

Table 7. Empirical study of indicator of assessment farm economic viability (FEV) in the EU farms, 2011

Country	FEV assessment indicator	Indicator of the farm condition
(DAN) Denmark	1.54	0.99
(SVK) Slovakia	1.75	0.77
(FRA) France	1.80	1.09
(LVA) Latvia	1.82	0.88
(EST) Estonia	1.87	0.91
(CZE) Czech Republic	2.08	0.88
(BEL) Belgium	2.13	1.12
(NED) Netherlands	2.14	1.04
(SUO) Finland	2.19	0.86
(SVE) Sweden	2.22	0.89
(HUN) Hungary	2.27	1.03
(BGR) Bulgaria	2.33	0.95
(DEU) Germany	2.69	1.00
(LTU) Lithuania	2.89	1.03
(LUX) Luxembourg	3.00	0.92
(ROU) Romania	3.81	1.07
(POR) Portugal	4.38	1.16
(OST) Austria	4.41	1.13
(UKI) United Kingdom	4.54	1.07
(POL) Poland	4.85	1.05
(MLT) Malta	5.18	1.01
(SVN) Slovenia	6.54	0.93
(ELL) Greece	6.58	1.17
(CYP) Cyprus	6.63	1.17
(ESP) Spain	7.56	1.25
(ITA) Italy	10.56	1.39
(IRE) Ireland	12.35	1.08

The integrated indicator assessing farm economic viability in the EU-27 calculated under the developed methodology for assessment of farm economic viability on the basis of the FADN data on farmers' farms has shown that all farmers' farms were viable, as the integrated indicator assessing farm economic viability was above 1.

The indicator of farm condition in ten countries (Denmark, Slovakia, Latvia, Estonia, Czech Republic, Finland, Sweden, Bulgaria, Luxembourg, Slovenia) was negative (Table 7). Nonetheless, the indicator assessing farm economic viability was good and showed the potential of farms to grow both in terms of physical and human capital. The integrated indicator is largely determined by the assets and liabilities, which means that the value of this indicator points at the higher level of solvency and lower financial risk.

Conclusions and implications

Findings by researchers who have analyzed farm economic viability have shown that the concept of farm economic viability is a complex variable, not yet definitive and still difficult to be explained in a single comprehensive way. The notion of farm economic viability has been developed taking into account the concepts employed by researchers in other countries and emphasizing the stages of farm lifecycle. The Economic viability of a farm is its capability of survival, life, and development using the available resources.

Assessment of the methodologies for assessment of economic viability proposed by the researchers and identification of the most significant indicators assessing farm economic viability have suggested that the researchers tend to emphasize different indicators assessing farm economic viability and classify them under different principles. As a result, the indicators characterizing economic viability in agriculture have been sampled at the first stage of the empirical assessment of farm economic viability.

After the indicators and their components have been identified, the methodology for assessment of farm economic viability has been formed of two indicators. The first indicator reflecting the farm condition is an intermediate indicator pointing at farm performance, earnings for the reporting period, and current stage (survival, life, or development) of the cycle. Following assessment of the farm condition, the integrated indicator assessing the farm economic viability has been calculated and has covered the farm assets, liabilities, total output at basic prices, and costs. Such combination provides comprehensive characteristics of the situation that the farm operates in. The advantage offered by the methodology is the identification of the limits of viability that may be used to assess farm economic viability. The integrated assessment indicator developed in the methodology may be used not only as the indicator assessing short-term viability but also as an important tool for assessment and forecasting of the economic viability of farms in the long run.

Empirical research on the model for assessment of economic viability of farms in Lithuania and EU-27, using the analogical results, has revealed that as many as 22 % of Lithuanian farms and farms in ten of the analyzed EU countries incurred loss according to the intermediate indicator, i.e. condition of the farm. On the other hand, the integrated indicator assessing farm economic viability has shown that a large share of the farms were viable and in the stage of development. This was determined by the farmers' assets exceeding debts by 4–6 times.

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Performance Measurement and Intellectual Capital: Main Frameworks and Research Agenda

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Introduction

A company's capability to create value depends on its ability to implement strategies that respond to market opportunities by exploiting their internal resources and capabilities (Penrose, 1959). Therefore, managers need to understand what the key internal resources and drivers of performance in their organizations are. Traditionally, those resources were physical, such as machines and equipment, and financial capital. In today's economy traditional tangible assets seem to become increasingly transient and rarely provide a long-term competitive advantage. This reflects the belief that intangibles assets are a fundamental resource for corporate growth and organizations need to put into work procedures for managing their intangible assets. In the last years, the concept of Intellectual Capital (IC) has emerged as a key to analyzing and evaluate the intangible assets of organizations.

This paper is organized as follows. First, in the next point, it presents the main IC definition and management models. Then, it highlights the main advantages of measuring IC in organizations, pointing out the main lacks of the current existing performance measurement systems in this ambit. Based on these gaps, the paper presents then an approach to integrate IC within a PMS. Finally, the main conclusions are stated as well as future research work in form of a research agenda.

Literature review

In the last decades, several models have been developed for managing the IC. All of them attempt to identify, classify, measure and manage the company's IC. Some models are focused on the global IC of the company such as the Skandia Navigator (Edvinsson & Malone, 1996), the Intangible Assets Monitor (Sveiby, 1996), the Intellect Model (Euroforum, 1998). On the other hand, other frameworks are focused on the intangibles related to the defined strategies such as the MERITUM Guidelines (2002) or the Intellectual Capital Management System (Viedma, 2001). However, none of these models implement or suggest the integration within a performance measurement system, which would contribute the advantages of its use.

Table 1. Main definitions of Intellectual Capital

References	Definition
Hall (1992)	It is set up by intangible property and intangible resources.
Edvinsson and Sullivan (1996)	It is the knowledge that can be converted into value.
Brooking (1996)	It is the result of four main components, which are the market assets, human-centered assets, intellectual property assets and infrastructure assets.
Sveiby (1997)	It is related to three categories of intangible assets: internal structure, external structure, and human competence.
Roos, Roos, Dragonetti and Edvinsson (1997)	It is composed of (and generated by) a thinking part, i.e. the human capital, and a non-thinking part, i.e. the structural capital.
Stewart (1997)	It is an intellectual material that has been formalized, captured and leveraged to produce a higher-valued asset.
Edvinsson and Malone (1997a)	It is the sum of human and structural capital. In more detail, it involves applied experience, organizational technology, customer relationships and professional skills that provide an organization with a competitive advantage in the market.
Bontis, Dragonetti, Jacobsen and Roos (1999)	It is a concept under which are classified all organization intangible resources as well their interconnections

In the literature, the concept of IC has been defined from different management perspectives (Marr, 2005; Marr & Chatzkel, 2004) as shown in Table 2. For instance, accounts prefer to talk about intangibles and according to IASB (2004), define them as "non-financial fixed assets that do not have physical substance but are identifiable and controlled by the entity through custody and legal rights". From a human resource (HR) perspective, IC refers to skills, knowledge, and attitudes of employees. From a marketing perspective, intangibles such as brand recognition and customer satisfaction are at the heart of business success, whereas from at the information technology (IT) perspective, intangibles are seen as being software applications and network capabilities (for an in-depth discussion of the different perspectives on IC please refer to Marr (2005). As shown by the above definitions, there is no agreement on what constitutes a good or sufficient definition of IC. Finally, IC is an important theme in different disciplines and is looked at from different perspectives such as economics, strategic management, finance, accounting, reporting and disclosure, human resources, and marketing and communication. However, there are few works developed related to the IC in the field of performance measurement.

Table 2. Main perspectives of Intellectual Capital

Perspective	Author(s)
Economics	OECD (1999); Lev (2001)
Strategy	Itami (1987); Hall (1989, 1992, 1993); Klein and Prusak (1994); Edvinsson and Sullivan (1996); Brooking (1996); Sveiby (1997); Roos et al. (1997); Roos and Roos (1997); Stewart (1997); Edvinsson and Malone (1997b); Boisot (1998); Teece (1998); Bontis et al. (1999); Nonaka, Toyama and Konno (2000); Marr and Schiuma (2001); Kaplan and Norton (2004)
Finance	Lev (2001)
Accounting	Lev (2001); IASB (2004)
Reporting and Disclosure	Lev (2001); IASB (2004)
Human Resources	Becker (1964)
Marketing and Communication	Brooking (1996)

The Intellectual Capital Management Models are focused on the establishment of one definition of IC, the components or dimensions of its structure, the intangible assets that belong to each component or dimension, and the indicator used to measure the identified intangible assets. Some models, as result of their activities, elaborate one report with two proposals, one as an internal management tool and the second as an external spreading tool of information for informing to the stakeholders about the real value of the company and not only about its financial value. Only some of the recently developed models of IC identify the need of linking the intangible assets with the strategy of the company, such as the European Project MERITUM (2002). Such a project was the first model that proposed the identification of the strategic objectives of the company and the critical intangible assets related to each of these strategic objectives as one of the main steps of this project. Moreover, the RICARDA project establishes that the first step to creating a report of Intellectual Capital for Regional Networks and Clusters is the definition of the regional network or cluster's objectives in medium and long term and the second step is concerning to the identification of each intangible assets that affect them.

Measuring Intellectual Capital

Nowadays, IC has become a determinant resource for enterprise to retain and improve competitive advantages. Because of its abstract nature, the IC is very difficult to measure, having become a challenge for business managers to evaluate the performance of IC effectively.

Gopika and Aulbur (2004) identified as benefits of IC measurement firstly the identification and mapping of intangible assets, which allows the company knowing its resources of competitive advantages in the future. Secondly, the recognition of knowledge flow patterns within the company. The last two benefits drive to the prioritization of critical knowledge issues, which allow the acceleration of learning patterns within the company thanks to the best practice identification and diffusion across the company, by presenting a strong business case for the best practice. Besides, the measurement of the IC permits a constant monitoring of asset value as well as to find ways of increasing the value of the company and the understanding of how knowledge creates interrelationships and increases innovation. From the point of view of the employees, the benefits are with regard to the increasing of collaborative activities and a knowledge sharing culture as a result of increased awareness of the benefits of knowledge management. Also, the employee self-perception of the organization and their motivation are increased. Finally, it creates a performance-oriented culture.

Measurement of IC will result in significant benefits to the organization that will help to determine business strategy, process design as well providing a competitive advantage.

Additionally, Bontis (2001) carried out an exhaustive literature review in which he highlighted the following main limitations in the existing measurement systems:

- The existing approaches relate to the organization as a whole and do not account for individual departments or knowledge workers.
- They do not balance past-orientation with future predictions, or quantitative financial measures with qualitative perceptual and process measures.
- Behavioral dynamics and its impact on organizational economics are not measured.
- There is no system for measuring process effectiveness in capturing tacit knowledge transfer.

At present, measuring a company's Intellectual Capital is quite common. According to Nordic survey, two-thirds of Finnish companies measure their Intellectual Capital regularly. Despite the fact that measuring Intellectual Capital is considered important, only 35 percent of the companies know how Intellectual Capital should be measured and reported (Nordika Project, 2002). Although different measurement systems for measuring Intellectual Capital have been developed, none of them has been accepted for common use. According to Sveiby (2001) the approaches for measuring intellectual capital fall into four categories: Direct Intellectual Capital Methods (DIC), Market

Capitalization Methods (MCM), Return on Assets Methods (ROA) and Scorecard Methods (SC). These methods offer different advantages and disadvantages.

Scorecard Methods, in particular, have been developed as a tool for management and although all the scorecard methods have many similarities, they can be categorized into two different types: the (traditional) balanced performance measurement methods and Intellectual Capital measurement methods. The balanced performance measurement frameworks, e.g. the Balanced Scorecard (Kaplan & Norton, 1992) and the Performance Pyramid (Lynch & Cross, 1991), have been developed for measuring and managing an organization's performance from several perspectives. IC is often related to one or more of these perspectives. However, in the IC measurement methods, e.g. the Skandia Navigator (Edvinsson & Malone 1997) and the Intangible Assets Monitor (Sveiby 1997), the main rationale is the measurement of IC. Financial and other physical assets are not paid as much attention as the Intellectual-Capital-related factors.

Kaplan and Norton (2004) indicated that the intangible assets are hard for competitors to imitate, which makes them a powerful source of sustainable competitive advantage. The Learning and Growth Perspective of the Balances Scorecard have long been considered its weakest link and Kaplan and Norton (2004) admitted it (see their response to "Letter to the Editor"). To improve this the authors included in this perspective the intangibles assets essentials for implementing any strategy, which are classified in three categories: Human Capital (the skills, talent and knowledge that a company's employees possess), Information Capital (the company's database, information systems, networks and technology infrastructure) and Organizational Capital (the company's culture, its leadership, how aligned its people are with its strategic goals and employee's ability to share knowledge). Additionally, and to link these intangible assets to the company's strategy and performance, these authors developed a tool called "strategic map".

Bernard and Adams (2004) indicated that there are almost no references at all in Kaplan and Norton's recent work to the practitioner or academic research already carried out on the topic of intangible assets. And, although the terminology used to describe and categorize intangible assets is far from being cohesive at the detailed level, there has recently been a general convergence towards a three-pronged framework consisting of Human Capital, Organizational (or Structural) Capital and Relational Capital (Meritum Guidelines, 2002). Therefore, it is not clear why Information Capital is considered by Kaplan and Norton (2004) separated from Organizational Capital as most of the research in this field agree.

Also, in the definition of Informational Capital is included the company's strategic IT portfolio of infrastructure and applications, where infrastructure comprises hardware such as central servers and communication networks, which are in fact tangible assets infrastructure assets and should not be categorized as intangible assets

As well, the concept of Relational Capital is completely missing from Kaplan and Norton's (2004) definition of intangible assets. The Balanced Scorecard includes a Customer Perspective and it could be argued that customer relationships could be included into this perspective. In fact, Kaplan and Norton (2000) argue that this perspective should contain the customer value proposition. Even if relationships might be included the issue remains that according to Kaplan and Norton's (2000) definition of intangibles assets, Relational Capital is not included, which defies the views of most researchers working in this field.

At this point, several gaps have been identified in the above literature review such as the lack of consensus among the researchers and the practitioners about the definitions of IC, the IC components, and the IC indicators. Many and various have been the attempts to measure the intangible assets of the companies through different IC models. Kaplan and Norton (2000), instead of creating a new model to measure the intangible assets, have integrated the measurement of the intangible assets within their Balanced Scorecard. Several researchers have criticized this attempt, having being identified several gaps in the way they have done such a merge.

Intellectual Capital and performance measurement systems

It is important to design a robust PMS to gauge the performance of the enterprise's IC (intangible assets). The basic purpose of any measurement system is to provide feedback, related to the organization's goals, which increases the chances of achieving these goals efficiently. Measurement gains true value when used as the basis for timely decisions. Another purpose of measuring is not to know how your business is performing but to enable it to perform better. The ultimate aim of implementing a PMS is to improve the performance of your organization. If you can get your performance measurement right, the data you generate will tell you where you are, how you are doing, and where you are going.

In this sense, the work developed by Boj Viudez, Rodríguez-Rodríguez, and Alfaro-Saiz (2014) presents a methodology to link intangible assets and organizational performance (measured by a Balanced Scorecard). This approach integrates the intangible assets into a PMS instead of doing the opposite, to integrate a PMS into an IC management model. This is because the IC management models are usually focused only on intangibles assets, taking into account neither the tangible assets nor the relationship among the intangible and the tangible assets nor how the intangible assets create value into the company through the tangibles assets. As Kaplan and Norton (2004) stated unlike, tangible assets, intangible assets almost never create value by themselves. They need to be combined with other assets. This fact is neither considers by the IC management model nor by any PMS. The present proposal takes this fact into account.

One of the main advantages of incorporating an IC management model within a PMS is the integration in a structured manner of the total assets - tangible and intangible - of an organization. In the current context of competitiveness, it is necessary to measure the performance of such intangible assets in order to obtain the highest benefits and associated competitive advantages.

This proposal is based on the work developed by Alfaro, Ortíz and Poler (2007) called PMS IE-GIP. Then, this PMS is the performance measurement system in which the proposed IC model is integrated. PMS IE-GIP adopts the classic Kaplan and Norton's (1992) balanced scorecard approach and enriching it by introducing, among others, some strategies associated to each of the defined objectives. These strategies are ways of action that will support the consecution of the objective they are linked to.

Hence, the methodology analyzes how the different intangible assets influence in the achievement of the strategies defined as critical. Then, it proposes the usage of the multi-criteria decision aid method ANP (Saaty, 1996), to support the complex decision-making process concerning with the election of the intangible assets linked to each strategy as well as the election of the indicators used to measure them. This methodology has been only applied to a service organization (research center), which means that it should be further applied to another type of organizations.

Conclusions and research agenda

This paper has reviewed the main definitions and management models of intellectual capital focusing on the measurement of the intangible assets. It has identified several gaps such as the lack of agreement on the indicators to be used to measure intangible assets. Moreover, the few attempts to integrate the intangible assets within a performance measurement system such as the classically balanced scorecard - which reduces its action to the learning and growth perspective - are not sufficient to reflect the complexity inherent in an organization's intangible assets. Only one work has been identified as suitable to allocate the intangible assets that influence on the achievement of the elements of a PMS.

As a research agenda, the next topics could be taken into account:

- Work on the definitions of IC, its components, and the IC indicators. Reaching consensus on these issues is of key importance.
- Use new quantitative techniques further ANP. These techniques could be Fuzzy, multivariate statistical techniques (if historical data is available), etc.
- Application of Boj et al. (2014) methodology to another type of organizations (Service, product/service).
- Development of new proposals that cover and show the links between the intellectual capital and organizational performance, incorporating the intellectual capital into a PMS.

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Diversity Management: Adding Value in Family Business?

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Introduction

A growing number of companies have started to implement diversity practices as a response to labor legislation, but also because companies increasingly acknowledge that diversity may improve performance and add value to the company. Recent research shows that in order to gain benefits from diversity, diversity should be effectively managed by integrating diversity into the business strategy (Heres & Benschop, 2010) and by gaining top management's support for diversity issues (Armstrong et al., 2010). Owing to the increasing variety and rapid changes in the composition of the workforce, and to the positive results achieved through diversity management, it seems evident that diversity deserves increasing attention and should be addressed in all kinds of organizations. Family firms do not constitute an exception. What makes diversity issues relevant with respect to family firms is their global prevalence and that they constitute the largest type of business in each country (Nordqvist, Melin, Waldkirch & Kumeto, 2015). Importantly, family firms are also the greatest contributors to the world's jobs and economic prosperity (Sorenson & Bierman, 2009). Based on these facts, there is no doubt that if diversity is well integrated, supported and managed by family firms, they will contribute to the creation of employment and enhance economic development. Diversity issues in family firms deserve special attention also because of the uniqueness of family firms arising essentially from the involvement of family members in the business and the subsequent overlap of family and business, which is typically seen to affect goal setting, decision-making, and in family firms (Chua, Chrisman & Steier, 2003). Owing to such overlap, diversity concerns may assume a special role in family firms compared to non-family firms. Interestingly, in line with this assumption, there are some recent indications that family firms may deal with diversity issues in a specific way due to their unique characteristics (Singal & Gerde, 2015). Unfortunately, little research has been conducted on diversity and diversity management in family firms leaving many important questions to be answered and research gaps to be filled.

To advance research and gain new knowledge in the fields of diversity management and family business in general, and to fill research gaps concerning the role of diversity in family firms in particular, this study explores unique characteristics of family firms stemming from the family involvement in business, and tries to find how such characteristics may impact on the integration of diversity into the workforce and decision-making processes and, subsequently, on the value creation and outcome in family firms. The primary assumption of this study is that diversity may play a different role in family firms compared with the non-family counterparts. In addition, it is assumed that although unique family-related characteristics are seen to affect performance in a positive way and create value for firms (Chua et al., 2003), they may also have a negative effect on business performance. Such negative effect may take place because unique family-related characteristics might work against the inclusion of external diverse workforce in the organization meaning that family firms cannot reap benefits from diversity to the same degree as non-family firms. Five characteristics based on family involvement in business are addressed because they are in this study regarded as the most representative characteristics of family firms and the most significant when exploring the diversity in family firms. The characteristics are the uniqueness of family firms, family-related resources, closed networks with strong ties between family members, socio-emotional wealth, and economic efficiency. This study tries to find if the special characteristics stemming from the family involvement in business, may affect a family firm's willingness to recruit and integrate diverse workforce to the organization. It is assumed that unlike non-family firms, family firms may be reluctant to involve external diverse workforce favoring instead family members. Similarly, it is suggested that due to the specific family-related characteristics, family firms may be less willing to include diversity in decision-making processes. In short, the central argument is that the unique family-related characteristics may challenge the inclusion of diversity in the organization that, in turn, may have a negative impact on business performance and jeopardize effective decision-making hindering the value creation in family firms.

This paper is constructed as follows: first, the concept diversity is presented. Second, diversity management is accounted for. Third, light is shed on the impacts of diversity on organizations' value creation. Fourth, family firms are examined in terms of their unique characteristics and propositions are made concerning how such characteristics may affect involvement of diversity into workforce and decision-making. Finally, concluding remarks are presented and some suggestions for further research are made.

Diversity

The definition of diversity has been evolving from an early focus on legally protected employee attributes such as race, gender, and age, to a much broader definition that comprises the whole range of human differences (Jayne & Dipboye, 2004). Accordingly, diversity refers today to differences between individuals concerning any attributes that may lead to the perception that another person is different from the self (Roberge, Lewicki, Hietapelto & Abdyldaeva, 2011). Likewise, diversity is used as a means to categorize differences in thought, actions, beliefs, value sets and needs, but can also appear in the codification of groups by skin color and educational levels (Joshi & Roh, 2006). Diversity is also be explained in terms of clearly visible differences like sex, ethnicity, age and disability, as well as invisible differences such as sexual orientation, social class, religion, skills, scholarly background, experience, and personality (Glastra, Meerman, Schedler & De Vries, 2000). Visible and invisible diversity refer to the so-called surface-level and deep-level diversity (Jayne & Dipboye 2004). Owing to the current increasing range of perceptions on diversity, it is noted that diversity lacks a rigorous definition and accepted measure at the organizational level (Jackson, Joshi & Erhardt, 2003). Nonetheless, this kind of early definitional and conceptual development state where the research on diversity finds itself in the organizational context at the moment does not restrict theorizing or hinder conceptual development in the field of diversity management. On the contrary, there seems to be great need of research on diversity because organizations are increasingly incorporating diversity management practices into the organization with the aim of reaping organizational benefits from diversity (Heres & Benschop, 2010) and promoting socially responsible actions and equitable employment outcomes for diverse minority groups (Fujimoto, Härtel & Azmat, 2013) and individuals (Cox, 1994).

Diversity management

Diversity management has its origins in the United States of America in the early 1990s, and from the USA diversity management traveled to Europe, where it has become a widely adopted organizational practice (Heres & Benschop, 2010). Diversity management refers to a combination of management practices that offer minority groups access to the job market and create career opportunities while it at the same time provides benefits for the organization because the minority individuals may bring along varied perspectives and experiences to the organization (Risberg & Søderberg, 2008). The primary objective of diversity management from the very beginning has been to foster the attainment of the social justice through advancing individual development and through including all kinds of organizational members to the organization (Cox & Blake, 1991). In consequence, diversity management helps organizations to deal with the root causes of difference, such as stereotypes, prejudice, and inequality that may hinder the development of everyone's full potential (Thomas, 2001). Importantly, however, in addition to promoting social justice, diversity management increasingly strives for taking advantage of the benefits diversity may bring to the organization (Heres & Benschop, 2010).

Diversity management sees the differences between employees as a source of creativity, complementarity and greater effectiveness (Stockdale & Crosby, 2004). For this reason, organizations actively seek to benefit from the distinctiveness between individual employees (Ivancevich & Gilbert, 2000). Consequently, diversity management departs from the idea that every organization member is a unique individual with an own specific contribution to the attainment of organizational goals (Cox, 1994) appreciating, thus, the inherent value of diversity (Gilbert, Stead & Ivancevich, 1999). Accordingly, managing diversity means understanding that there are differences among employees and that, if properly managed, the differences may constitute a valuable asset for the organization (Bartz, Hillman, Lehrer & Mayhugh, 1990). In more precise terms, diversity management is a managerial value-driven strategy aiming at maximizing the potential of all employees, regardless of their group identities such as race, gender, age, and disability (Fujimoto & Hartel, 2010). Since diversity is regarded as more and more important for organizations, it is suggested that diversity management should be part of the strategy in organizations (Konrad, Yang & Maurer, 2016). When included in the strategy, diversity management focuses on the whole organization, rather than targeted programs for under-represented groups, and aims at creating an environment where all employees can contribute to the common goal with their full potential (Wrench, 2005). The strategy inclusion is important because diversity practices, in the same vain as HRM practices, when aimed to succeed, they should fit with the overall business strategy (Chow, Huang & Liu, 2008). Drawn together, research indicates that effective diversity management may be beneficial to organizations because it not only benefits minority groups but also improves organizational performance by creating value through individual contributions stemming from a diversity of the workforce.

Value creation through diversity

Research indicates that most organization leaders value diversity and recognize its benefits (Fenwick, Costa, Sohal & D'Netto, 2011). Such benefits include improved productivity, larger market share, innovative thinking, improved employee relations and better customer satisfaction (Trenerry & Paradies, 2012). In addition, it is found that companies that effectively managed diversity by eradicating racism and sexism and by employing diverse workforce may have higher levels of innovation (Moss-Kanter, 1983). Similarly, it is claimed that multiple perspectives arising from a diverse workforce, can result in more creative problem solving and decision-making (Grubb, McMillan-Capehart & McDowell, 2009). What is more, it is acknowledged that diversity brings information richness to the decision-making leading to better decisions (Tillery & Rutledge, 2009) and creative decision making which, in turn, tends to improve organizational performance (Cox, 1994). Interestingly, it is also shown that organizational performance depends on whether the workforce is able and competent as a result of training, development practices, and non-discriminatory recruiting; and whether the workforce is motivated, as a result of doing meaningful work; and finally, organizational performance depends on whether the workforce has opportunities, as a result of employee involvement practices providing employees opportunities to contribute within the organization. In other words, workforce may contribute better to organizational performance if it is well managed in terms of diversity-related concerns (Armstrong et al., 2010). As for group level outcomes, it is known that diversity increases group creativity and innovation (Singal & Gerde, 2015). Hence, it is concluded that diverse groups are more innovative and creative owing to diverse perspectives, varied information sources, and improved decision-making (Tillery & Rutledge, 2009). Similarly, it is noted that when organizational strategy and different HRM practices support diversity initiatives, diversity is more likely to contribute to positive performance outcomes (Kochan et al., 2003). In more concrete terms, organizations that manage diversity through effective HRM and diversity initiatives may achieve advantages such as success in marketing, better problem-solving, improved organizational flexibility, lower costs associated with decreased absenteeism, higher job satisfaction and, above all, they may attract and retain the best human resources (Cox, 1994).

As a whole, current research indicates that an increasing number of organizations are adopting strategic diversity measures as they have recognized that the full potential of diversity will only be available if different strategic diversity practices are effectively managed (Roberge et al., 2011). It is accentuated that diversity management may not only contribute to employees' retention but may also significantly improve corporate image, enlarge market share, and diminish employees' turnover (Roberge et al., 2011). Additionally, it is noted that if diversity practices, in addition of being integrated into the business strategy, are also in place at operative level, organizations have better possibilities to maximize the advantages of diversity as well as minimize its disadvantages (Cox, 1994). The strategic approach to diversity requires also that organization must engage themselves in a long-term commitment concerning the implementation of diversity practices if they aim at enhancing performance in the long run (Roberge et al., 2011). Importantly, recent research in the field is founding more and more factors that may reap benefits through diversity. Such factors include effective diversity-oriented leadership (Kondrad et al., 2016) and diverse management teams (Joshi, Liao & Jackson, 2006); diversity departments, boards and officers; specific goals and targets supporting diversity; regular measurement of the effects of diversity management, and continuous reporting on diversity performance (Heres & Benschop, 2010). In addition, it is found that effective diversity management requires that training is provided across all organizational levels; that inclusive diversity supportive climate focused on diversity recruitment is promoted, and that promotion policies that include minority or other disadvantaged groups are applied (Armstrong et al., 2010). Research on diversity practices indicates that the training component is the most applied diversity practice and that it typically consists of efforts to increase awareness of discrimination and prejudice and aims at improving behavioral skills of employees when working with persons from different cultures and minority groups (Jayne & Dipboye, 2004). It is also found that the implementation of diversity training programs may provide employees opportunities to acquire the necessary awareness, knowledge, skills, and abilities to overcome diversity-related conflicts and thereby increase individual and group performance (Plummer, 1998). Significantly, recent research also indicates that the success of diversity management does not only depend on the internal implementation and fit of diversity practices, but also on how the practices fit with the environment. Consequently, it is essential that diversity practices are in line with internal organizational strategy and organizational characteristics, they fit with each other, and that their implementation takes into account the organizational environment (Martín-Alcázar, Romero-Fernández & Sánchez-Gardey, 2012). Accordingly, the context in which an organization operates seems, in addition to internal diversity practices, to be an essential determinant of the organization's diversity management (Konrad et al., 2016).

It is widely acknowledged by now that if well implemented, diversity practices may significantly enhance the performance of diverse groups that, in turn, contributes to competitive advantage. Importantly also, a recent literature review (see Armstrong et al., 2010) indicates that the main business benefits generated by diversity accrue from the possibility to recruit from a wider selection of people and retain better workers for longer (Armstrong et al., 2010), broader market intelligence, increased internationalization

(Cox, 1994), wider perspectives on business issues, improved community relations, enhanced company image (Nykiel, 1997), reduced costs linked to decreased turnover and absenteeism, and increased resilience and flexibility (Gardenswartz & Rowe, 2011). What is more, recent empirical research reveals that increased use of diversity-oriented inclusive high-performance work systems leads to distinguishable benefits for both employers and employees, and measurable monetary benefits at the firm level (Armstrong et al., 2010). Additionally, empirical findings indicate that successful diversity training seems to depend on top management support and that if diversity initiatives are framed as challenges and opportunities, they will gain the support from employees increasing the relevance and value of diversity (Jayne & Dipboye, 2004). Accordingly, it is suggested that that by appreciating diversity and inclusiveness, managers may frame collective identity that welcomes and values the different identities of stakeholders including employees, customers, suppliers, investors, and people from the local or global community enhancing significantly the importance of diversity (Roberge et al., 2011).

Overall, it seems that managing diversity effectively may be a delicate and challenging process because it requires the implementations of a combination of multiple diversity practices (Roberge et al., 2011), support of top management (Jayne & Dipboye, 2004), integration of diversity practices into organizational strategy (Cox, 1994), as well as internal fit of diversity practices and fit with the organizational environment (Martín-Alcázar et al., 2012). What makes diversity management even more challenging is the notion that although there are several diversity practices that may enhance performance and add value to the organization, there is neither one best way of implementing them, nor one best practice to fit all organizations (Jayne & Dipboye, 2004).

Taken together, it can be concluded from the above revision on the advantages diversity and diversity management that there is broad theoretical as well as empirical evidence indicating that effectively managed diversity can reap significant benefits for organizations. Most importantly, diversity may improve performance and subsequently create value added for organizations. This being the case, it seems evident that the same applies for family firms making them willing to increase organizational diversity by recruiting and employing more diverse workforce. Nevertheless, as family firms constitute a specific group of organizations with unique family-centered characteristics highlighting the importance of family members in the business, it may be assumed that family firms take a different stand on diversity and diversity practices if compared with non-family firms that do not have any family concerns. Consequently, there seems to be needed to shed light on the uniqueness of family firms and, more specifically, explore the opportunities as well as challenges that diversity may generate for family firms.

Family firms

Family firms can be seen as a significant empirical phenomenon in the world economy (Fletcher, 2014). Family firms are grounded on familial capitalism with an ability to survive in the long term owing to their specific governance practices, strategies, and structures (Steier, Chrisman & Chua, 2015), and to their inherent capacity to adapt to a multitude of environments differing in terms of history, culture, and institutional development (Shukala, Carney & Gedajlovic, 2012). Accordingly, family firms have, from remote times, constituted an enduring form of organization and are now the most prevalent form of business organizations in the world (Steier et al., 2015). Notwithstanding the prevalence and the common characteristics that make family firms form a specific organizational group, it is noted that there are also significant differences among family firms reflecting the heterogeneity that arises from diverse evolutionary paths and institutional contexts (Melin & Nordqvist, 2007). Importantly, however, family firms possess several significant elements that distinguish them from non-family firms making them a unique organizational group (Berrone, Cruz & Gomez-Mejia, 2012).

Uniqueness of family firms and diversity

As noted above family firms constitute a specific organizational group that differs from non-family firms in terms of their uniqueness manifested typically by several distinctive family firm-specific characteristics including family's involvement in business, family-based resources, close internal networks with strong ties, and stewardship behavior, long-term perspective and business continuity, broad multiple goals related to socio-emotional wealth, patient capital, and economic efficiency. Such characteristics are seen to safeguard family firms' privileged position as the most prevalent, persistent and successful organizational forms. Nevertheless, it might also be assumed that the uniqueness may also have a negative impact on the outcome of family firms while challenging family firms' possibilities of gaining business opportunities, improving performance and creating value through diversity. In more concrete terms, it can be suggested that certain unique family-related characteristics may create a reluctance to recruit and integrate external diverse workforce to the organization and involve diversity in decision-making processes diminish, thus, family firms' possibilities of reaping advantages from diversity.

There has been recognition throughout the history of family business research that it is the reciprocal influence of family and business that distinguishes family business studies from other disciplines and that accentuates the uniqueness of family firms (Astrachan, 2003). Such uniqueness is manifested in the overlap between family and work systems demonstrating the influence that family members may have on the decisions of family firms, and vice versa (Schlippe & Schneewind, 2014). It has also been acknowledged that managing the overlap between family and business and the reciprocal relationships between both systems are crucial for the success or failure in family business (Schlippe & Schneewind, 2014). Research shows that family firms' uniqueness originates from the involvement of the family business owners´ family life in the business creating strong relationships between owners, business, and family (Gersick, 1997). Hence, in family business context family constitutes a central concept. It and can be understood as a group of people affiliated through strong ties or bonds of common history and a commitment to share a future together while supporting the development and well-being of individual members (Hoy & Sharma, 2010).

Proposition 1

The overlap between family and business, and the involvement family members in the workforce and decision-making stemming resulting from strong relationships between owners, business, and family, may decrease family firms' interest in recruiting an external diverse workforce that is known to improve performance and create value in organizations. The family involvement in the business may constitute a hindrance for improving performance and may, subsequently, hinder value creation in family firms.

Family resources and diversity

An emerging body of research suggests that the involvement of family members in the business enables a family firm to accumulate certain qualities that are inherent in families and can furnish the business with unique resources to be leveraged with the aim of attaining competitive advantage (Amit & Villalonga, 2014). Such resources include tacit knowledge, patient financial capital (Amit & Villalonga 2014), organizational social capital (Arregle, Hitt, Sirmon & Very, 2007), and human capital (Zahra, 2010) embedded in family firms. It is highlighted that if able to delineate and leverage the unique resources into a well-coordinated management strategy, family firms may improve their business chances (Sirmon & Hitt, 2003). Furthermore, it is found that the unique resources may bring about the lower transaction, governance, and recruitment costs (Melin, Nordqvist & Sharma, 2014) due to family members' involvement in the business. Similarly, studies find that agency problems are mitigated and agency costs reduced in family firms as the owners occupy executive positions and, consequently, manage and monitor the business (Andreson & Reeb, 2003a, 2003b). In a similar vein, research indicates, that family-specific resources tend to be based on trustful relationships between family members (Arregle et al., 2007), which likewise reduces agency and controlling costs as trust obviates control. Furthermore, it is found that in family firms, communication, and coordination costs are decreased because family members may possess similar resources making them like-minded (Steier, 2001). Importantly also, family members' involvement in business contributes with relationships that may provide family firms with a wide range of resources, such as information, knowledge, advice, money, reputation, image, technology, and talent (Lian, 2008). Family members typically also pursue long-term governance structures, family-centered values, and strong culture (Singal & Gerde, 2015), and have a strong commitment to the firm (Gersick, 1997), which tend to reduce long-term costs in family firms. As a whole, research shows that owing to family members' involvement in the business and the subsequent availability of family-related unique resources, family firms are seen to experience cost savings and perform financially better than non-family firms (Singal & Gerde, 2015).

Proposition 2

Family resources are unique and considered as valuable while contributing to competitive advantage through cost savings. Such savings accrue from reduced agency, controlling, communication and coordination costs owing to the fact that family members occupy multiple positions in the organization. Due to cost savings gained through the high representation of family members bringing unique resources to the organization may lead to reluctance to recruit an external diverse workforce that is known to add value to organizations. Unique family-related resources may hinder value creation in family firms.

Networks of strong ties and diversity

Typically, groups formed of family members are connected by networks of strong resource ties that may bring about advantages particularly in such environments that place a premium on group solidarity and unified actions (Melin et al., 2014). Group formations based on joint emotional and cognitive elements that create a specific adhesion (Bourdieu, 1996) seem to be vital for the existence of family firms. More often than not, emotional adhesion gives rise to and reproduces rites that bind the group members together (Bourdieu, 1996). Likewise, shared goal-directed activity and expressions of positive sentiments are considered to strengthen the unity typical for family firms (Nicholson, 2014). Internal networks characterized by enduring relationships and strong cohesive ties that create unity are regarded as important because they safeguard continuity, survival, and success of family firms. However, also less cohesive networks, formed by relatively diverse weak ties that include non-family members and other stakeholders, play an important role in family business. In consequence, success in family business does not only accrue from the combination of the family firm internal but also external relationships (Arregle et al., 2007). Importantly, it is emphasized that not only strong, cohesive, close and homogeneous ties that form networks between family members and close friends, but also less cohesive networks formed by relatively diverse weak ties connecting family and non-family members and other stakeholders, may play a crucial role in business. Such networks can facilitate access to wide-ranging sources of information and alternative viewpoints being, hence, essential for performance, value creation and success of the firm. Research indicates that networks of weak ties are essential also because they may connect people to special information sources they otherwise would miss because the firm internal ties typically tend to rely on the same information sources (Granovetter, 1974). Unfortunately, particularly family firms that typically strive for creating and maintaining internal strong ties, may downplay the importance creating networks with members of the business elite (Sirmon & Hitt, 2003), members of other external stakeholder groups, and non-family members. For this reason, family firms tend to have restricted networks with limited network reach which is seen to constrain their capabilities do develop valuable ties with non-family representatives (Chrisman, Chua & Sharma, 2005).

Proposition 3

Networks of strong ties between family members may impede the advantages accruing form networks of weak ties that connect family members to external stakeholder groups and non-family members. Therefore, family firms may be reluctant to integrate representatives of external diverse stakeholder groups or non-family individuals to the family firm. Internal networks formed of strong ties between family members may hinder value creation accruing form networks of weak ties with external diverse stakeholders groups and non-family representatives.

Socioemotional wealth and diversity

Family firms are known to differ from non-family firms concerning several characteristics including overlap between family and business (Schlippe & Schneewind, 2014), stewardship behavior (Davis, Schoorman & Donaldson, 1997), goals and performance. Stewardship behavior is manifested by a wider set of collective interests indicating that family business leaders become stewards furnishing greater good of the common enterprise (Nicholson, 2014). As for performance, there is cumulative evidence that family firms outperform non-family-firms (Anderson & Reeb, 2003a) as a result of long-term thinking, continuity of business and sustainable relationships, all of which are seen to enhance business outcome (Carney, 2005). Importantly, recent research shows that owing to the overlap between family and business, stewardship behavior and sustainable thinking, business families often think of performance in broader terms than non-family firms. Accordingly, family firms tend not only to strive for pecuniary benefits but also aim at specific non-pecuniary goals (Amit & Villalonga, 2014) meaning that family business goals are not just limited to shareholder wealth maximization (Shukala et al., 2012), which is the objective of most non-family firms, but are rather family-centered, but are rather based on joint emotional and cognitive aspects (Bourdiey, 1996). The family firm-specific focus on non-economic objectives can be explained in terms of socio-emotional wealth (Berrone et al., 2012). Recent research indicates that non-economic objectives based on socio-emotional wealth include the protection of the family brand, its heritage, and legacy as well as its reputation and its political influence (Amit & Villalonga, 2014). It is also found that socioemotional wealth reflects family ownership of the business (Berrone et al. 2012), close family ties (Hoy & Sharma, 2010), strong commitment to the firm (Gersick, 1997), specific long-term governance structures and family-centered values (Singal & Gerde, 2015). Similarly, socio-economic wealth reflects the psychological ownership (Hall, 2005 in Signal & Gerde, 2015). Typically, then, socioemotional wealth is seen as essential for family firms affecting their decision-making process (Aldrich & Cliff, 2003) and, subsequently, their performance and goal-setting. Consequently, it is noted that in family firms major managerial choices are made with the intention of preserving and enhancing the socio-emotional wealth in family firms (Berrone et al., 2012).

Proposition 4

The socio-emotional wealth enhancing family-centered goals and values, family ownership, psychological possessiveness of the business and emotionally based decision- making may affect the recruiting process by obviating external diverse candidates that might improve performance adding value to the firm. The socio-emotional wealth may hinder value creation achieved by integrating diversity into the workforce, and impede inclusion of diverse decision-makers that may bring new perspectives in the decision-making processes in family firms.

Economic efficiency and diversity

There is increasing evidence that family business goals are multiple. At the same time as family firms are advocating non-economic socio-emotional wealth, they are known to exercise greater diligence in managing their economy than non-family firms (Brickley &

Dark, 1987). Such economic efficiency is typically manifested in family firms by risk aversion, reliance on own capital, and preference for family-based workforce and management. While choosing managers among family members, they can take cost advantage in the executive search that in non-family firms is time-consuming and resource- intensive process (Shukala et al., 2012). The economic efficiency is also seen in that family firms may be less likely to take entrepreneurial risks (Naldi, Nordqvist, Sjöberg & Wiklund, 2007), and avoid allocating free cash flow to low return projects (Carney, 2005). It is also shown that family members tend to perceive themselves as stewards or caretakers for the family-owned firm (Zahra, 2003, Miller at al., 2008) while pursuing family-centered non-economic objectives showing their strive for socio-emotional wealth (Amit & Villalonga, 2014). Interestingly, there are some indications that emotional family-centered objectives coupled with the aim of being economically efficient in terms of family-based workforce and management may harm a family firm (Gomez-Mejia et al., 2007) because diverse resources and different points of view stemming from diverse external groups or individuals may easily obviate and ignored in family firms due to their family focus. Unfortunately, such family-centered objectives and economic efficiency stemming from family-based workforce may lead to a homogeneous outlook (van Geenhuizen & Soeatano, 2012). As a whole, there seems to be evidence that because of their strive for economic efficiency through family involvement in the business, family firms may avoid investing in external relationships and assets which, in turn, may limit their possibilities to attract relational and economic capital as well as external capabilities and expertise that might be crucial for bringing in new competencies to the organization.

Proposition 5

Economic efficiency resulting from family firms' reluctance to rely on external resources and their preference for family-based personnel, may restrict family firms' possibilities of gaining external knowledge while preventing them from recruiting diverse external managers, experts and employees that might provide different perspectives, multiple new ideas, and valuable knowledge adding value to the organization. Economic efficiency may hinder adding value through diverse external managers, experts, and workforce in family firms.

Concluding remarks

Although there is an increasing body of research on diversity and diversity management, more research should be conducted with the aim of gaining more knowledge about how diversity could contribute to better performing companies, and how diversity could be managed so that it would add value to different kinds of organizations. Especially, research on the role and advantages of diversity in small and medium size companies is required because such companies are excluded from the legal obligations concerning diversity and, consequently, tend to lack knowledge about diversity issues, in general, and about benefits to be gained through diversity, in particular. Among small and medium-sized companies family firms constitute a particular group differing from their non-family counterparts in terms of specific characteristics that make them unique. Such characteristics are mainly based on family involvement in a business known to affect goals, performance, and decision-making and, subsequently, value creation and the outcome of family firms. This study assumes that because of such family firm related unique characteristics, diversity plays a different role and may have different effects in family business compared with non-family firms. For this reason, there is a need to conduct research on the role and effects of diversity in family firms and, particularly, focus on the characteristics that make family firms unique. Consequently, this study aimed at exploring the unique family firm-related characteristics and the role diversity plays in family firm context. To fulfill such objective a literature review based on the literature on the fields of diversity management and the family business was conducted.

The literature review indicates that several characteristics that make family firms unique may bring about challenges when diversity is to be involved in family firms. In more detail, the review reveals that certain family firm-related characteristics such as family resources, internal closed networks with strong ties, socio-emotional wealth, and economic efficiency, may hinder the integration of diversity into the decision-making and management, and workforce in general. Furthermore, the review shows that because of the lack of diversity in the organization, the performance may not be improved which, in turn, affects the value creation and success of family firms. Similarly, the review indicates that decision-making may suffer from homogenous outlook owing to the like-mindedness of the decision makers whereas diversity would bring in new ideas and innovative perspectives to family firms. In order to verify or refute the assumptions arising from the previous research in the fields of diversity and family business, five propositions are made. The propositions will be tested on empirical data to be collected in a range of case companies by means of qualitative interviews. To gain reliable knowledge, secondary archival data will also be used. On the basis of the results, a model will be constructed. The model will help family firms to overcome challenges concerning the involvement of diversity in the organization as well as help family firms see how they may improve performance and decision-making through diversity and, subsequently, add value to the business.

Suggestions for further research

As the study indicates, there is a great need to conduct research on diversity, in general, and on the role, effects and challenges of diversity in small and medium-sized companies, in particular. Although there is at the moment growing body of research on diversity and diversity management, the field is continuously evolving and requires the generation of new knowledge to fill research gaps. The literature study reveals that much research has been conducted on the positive impacts on organizations accruing from diversity whereas less is known about disadvantages or drawbacks stemming from diversity. Similarly, there is a great body of research on good diversity management whereas less has been conducted on unsuccessful or bad diversity management. Research on such topics would advance the field as well as give practical insight on what kind of management may be detrimental to a diverse organization, or may hinder an organization to reap advantages from diversity.

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BES 6001 Certification and Green Marketing in the Construction Industry: the Romanian and UK Cases

Cătălin LUPOAIE, Ana CRUZ

Introduction

One of the major challenges of the construction industry is to reduce its impact on the environment, taking in consideration that the building sector contributes up to 40% of the greenhouse gas emissions around the globe, mostly from energy used during the lifetime of buildings (United Nations Environment Program, 2007). In this context, a large number of initiatives was taken towards improving the energy efficiency of buildings, such as the green building schemes (BREEAM, LEED, CASBEE, Effinergie, Minergie and PassivHaus) introduced initially in the most developed economies and afterwards extended all around the globe (World Green Building Council, 2009).

In their goal to be a part of developing sustainable buildings, construction material producers have to support the contractors in fulfilling their goals of obtaining better scores in green building schemes (Reed, Bilos, Wilkinson & Schulte, 2013). The green buildings standards have extended also to countries from Eastern Europe, such as Romania, where the interest of the visionary companies in developing capabilities to excel in the construction and related industries and generate sustained profits is increasing (Romanian Green Building Council, 2014).

Taking into consideration the development of the green buildings in Romania, the need of introducing responsible sourcing certifications, such as BES 6001 is becoming more important. In June 2014, Holcim Romania, the local subsidiary of the Swiss cement producer Holcim, received the first BES 6001 certification for responsible sourcing off all its products: cement, concrete, and aggregates. According to Holcim Romania (2014a), through the BES 6001 certification, obtained at "Very Good" level, their customers can be awarded 2 points in both BREEAM 2011 and LEED 2013 for the responsible sourcing of materials criteria, offering them a better position and advantage in the market by optimizing their scores in respect of Green Buildings Certification Schemes. Holcim Romania was the first company outside the United Kingdom to have this external recognition. In this way, the company joined the group of 222 British companies that have received this certification, according to Green Book Live (2014).

This study analyses how did Holcim Romania implement this certification and how is going to deploy this certification in order to make green marketing for its products and services. Until now, research related to green marketing has focused mainly on the developed markets, such as USA, Great Britain, Germany, or on the major emerging economies such as India or China. This research contributes to knowledge because the BES 6001 certification was not a subject of research in connection with green marketing initiatives. Studies on this topic, such as the ones made by Glass, Achour, Parry and Nicholson (2012), were mainly related to responsible sourcing, without targeting the green marketing approach. Still, the research on BES 6001 revealed the fact that this certification is increasing the reputation of a company (Glass, 2011; Glass et al., 2012).

Green marketing has been mainly researched in contexts such as opportunities and challenges (Mishra & Sharma, 2012), impact on stakeholders (Cronin, Smith, Gleim, Ramirez, & Hutchins, 2012), best practices (Bedek, 2011), market segmentation (Choi & Ng, 2011) and less on the connection between responsible sourcing and how this can be used in order to support green marketing. Moreover, as described in the literature review, the construction industry has only recently started to embrace the green strategies and innovation, although is one of the industries with the highest impact on the environment.

Thus, this research contributes to knowledge, as it analyzed how responsible sourcing improves the green marketing strategy of two building material producers from two different regions that have contrasting developments of sustainable constructions: Romania and the United Kingdom. The British construction industry is one of the most advanced in terms of responsible sourcing of building materials (Glass, 2011; Glass et al., 2012), while Romanian construction companies have just started to develop green innovations, green products, and responsible sourcing (Langa & Zegreanu, 2011; Paraschiv, Langă & Olaru, 2011).

Therefore, the final aim of this study is *to investigate to what extent the BES 6001 certification can be used for implementing green marketing in the construction industry*.

BES 6001 certification can become a valuable tool that can be used for making green marketing for sustainable products. That is why, starting from the above-mentioned research and continuing with the other studies described in the literature review, four research questions were defined for the purpose of this study:

R1: Which were the main drivers of the companies to pursue such a certification?

R2: How is the BES 6001 certification implemented in Romania and in the UK and to what extent can it be used to promote green marketing in the construction industry?

R3: How do marketing managers identify and target the decision makers that are interested in developing green buildings?

R4: How can marketing managers improve the results of green marketing initiatives using BES 6001 certification?

Literature review

According to Pane Haden, Oyler and Humphreys (2009), from the decade of '90, companies have started to be more interested in solving the environmental issues and the vision of sustainable approach in business has changed in the past 20-30 years the progress of humanity. Garbowsky and Rahman (2013) states that especially in the European countries environmental sustainability represents nowadays front page news, as a response to the global warming process. Starting from organic food, continuing with traveling in an environmental-friendly way or reducing the consumption of non-renewable products, people have become aware of the need to live in a better environment. In addition, Edeholt (2012) believes that all stakeholders should start to make a difference in their activities because the impact of climate change has increased significantly and there are many pessimistic scenarios that might be overcome with a more positive contribution to sustainable development.

One of the most condensed definitions of green marketing was published by Bhalerao (2014), who stated that: "Green marketing is the marketing of products that are presumed to be environmentally safe". This definition is supported by Rex and Baumann (2007) who believes that the aim of green marketing is to include environmental issues in the marketing efforts, with the scope of providing consumers information about the green properties of the products and their advantages.

Polonsky (2001) considered that responsible green marketing has transformed into a complex, integrated, strategic and tactical process from its initial conception in the 1970s, having developed a wide set of strategic activities and tactics (Figure 1).

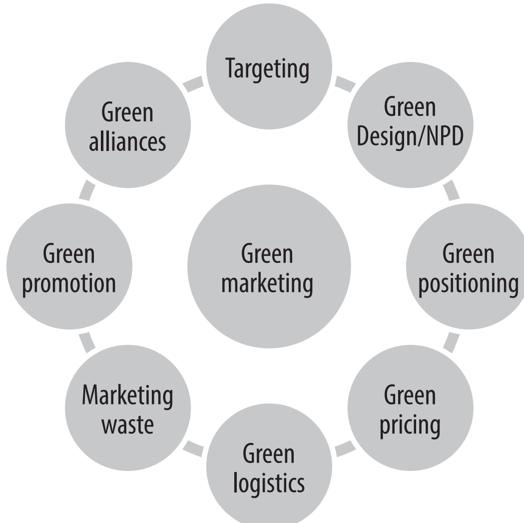


Figure 1. Strategic activities and tactics of green marketing

In order to reach the holistic development and approach mentioned by Polonsky (2001), it was a difficult path. Ken and Andrew (2005) made a research into the history of green marketing and revealed the fact that progress was difficult in this field, because of the tendency of companies to focus mainly on product, communication, selling and costs, while ignoring the customer needs and expectations.

Banyte, Brazioniene and Gadeikiene (2010) support the idea of creating priorities for green marketing, by searching the needs of green consumers, offering high-value products and services, in order to increase the trust in eco-friendly products. On the contrary, Rettie, Burchell and Riley (2012) believe that green marketing has not proved its efficiency and the fact that companies are developing new products and services that are green is not enough. Companies have to come with effective solutions that satisfy the needs of customers.

Unruh and Ettenson (2010) mention that companies have to ask themselves if their green strategies are credible or vulnerable because green activists will not hesitate to attack a company if they sense that a company is using greenwashing.

Green marketing in construction industry

The construction sector has one of the highest impacts on the environment and every little improvement can make a big impact if it is scaled up and multiplied. Over its lifetime, buildings consume enormous amounts of raw material and energy and leave a heavy footprint on the environment. According to the World Green Building Council (2013), buildings are accountable for having a high ecological footprint, over their life-cycle they consume 17% of the fresh water, 30-40% of energy, 40-50% of raw materials, they are responsible for 25% of the wood harvesting and they produce 33% of the CO2 emissions. That is why starting the 1990s, governments and corporations have started to promote new regulations, certifications and rules for the construction industry. As to Macomber (2013), many areas of the world are already overcrowded and it is expected that by 2050 the urban population to nearly double in size, reaching six Billion.

A research made by Reed et al. (2013) revealed the fact that there are 18 sustainable rating tools for buildings in the world, most of them being in the United Kingdom and Europe. The first Green Buildings Certification Schemes was the one named Building Research Establishment Environmental Assessment Method (BREEAM), was created in 1990 in the United Kingdom (Akadiri, 2013). Since then many different tools have been launched around the world that helped the construction industry to become more environmentally friendly.

In the literature review, the only definition used for describing the responsible sourcing of products is the one of BRE (2009), which states that: "Responsible sourcing is a holistic approach to managing a product from the point at which a material is mined or harvested in its raw state through manufacture and processing, through use, re-use and recycling, until its final disposal as waste with no further value."

Using BES 6001 certification for implementing green marketing

In order to receive the above-mentioned green building certifications, developers, and construction companies have to receive a certain score, which is obtained by proving that they build a sustainable building that offers them a better position in the market. Developers receive points also for the type of building materials that they used during the construction works and for the responsible sourcing of the products.

Under the BES 6001 Framework Standard, products are assessed by looking at existing quality, environmental, health and safety management systems together with other important criteria including:

- Greenhouse gas emissions;
- Resource use;
- Waste, water, and life cycle assessment;
- Local communities;
- Employment and skills.

Although there are research studies made towards responsible sourcing in the construction industry, there is a lack of research related to what extent a standard such as BES 6001 can be used in order to improve the green marketing initiatives of a company related to promoting green products and services and supporting sustainable constructions. In addition, the situation is more difficult in Romania, where there are only a few green buildings certified with BREEAM or LEED green standards. This paper aims to tackle this gap and the research objectives of this paper are also related to the status of green buildings development in Romania.

In Romania, there is a positive perception related to green marketing, especially towards cause-related marketing made through corporate and social responsibility actions, according to a study prepared by Stancu, Grigore, and Rosca (2011).

The initiatives towards sustainable construction started timidly in Romania in 2008, when the Romanian Green Building Council was founded, being the first independent entity that supports and promotes green constructions. Afterward, other important associations were created, such as the Association of Energy Auditors for Buildings, and the Romanian Facility Management Association (ROFMA).

Methodology and research

This main objective of this research, "*to investigate to what extent the BES 6001 certification can be used for implementing green marketing in the construction industry*"**,** is a topic that has never been analyzed, being a niche topic in the vast discussions related to sustainable development. Taking in consideration that the BES 6001 was obtained only by companies from two countries, UK and in Romania, this study was done through qualitative research, in order to deeply analyze the implications of this certification in green marketing.

This study was made using the multimethod qualitative research through in-depth interviews with marketing and sustainable development managers from both Holcim Romania and Aggregate Industries from the United Kingdom and through analyzing the promotional materials and marketing plans related to BES 6001 certification.

For qualitative research, there are two main research methods defined in the literature review, in-depth interviews and focus groups. Taking into consideration the context of the research, having analyzed two companies from different countries, the in-depth interview was the chosen solution. In addition, this research was done through using cross-case synthesis, as Holcim Romania was compared to Aggregate Industries, the local subsidiary of Holcim Group from the United Kingdom. The later has received the

BES 6001 certification in 2009 and already has an extended experience in green marketing of sustainable products.

Although responsible sourcing is frequently researched and there are many examples in the literature review, the analysis of responsible sourcing in connection to green marketing has not been subject to rigorous analysis.

In this paper, the research was made through triangulation, by collecting primary data from public information about the companies from Green Book Live, the unique reference source and online listing of environmental products and services, and by analyzing secondary data through interviews that aim to answer the four research questions mentioned above.

The qualitative approach was chosen, because most of the research that addressed the issues of BES 6001 and also the ones related to green marketing were making quantitative research, mainly using surveys. The interviews were made with managers from the marketing and sustainable development departments from both Holcim Romania and Aggregate Industries from the United Kingdom. In total, there are four interviews analyzed in detail.

The companies from this study were chosen through purposive sampling, using the Green Book Live website that comprises all the relevant data and documents referring to BREEAM green building scheme and to BES 6001 responsible sourcing certification. According to Kairuz, Crump and O'Brien (2007), the participants involved in the qualitative research have to be relevant to the objectives of the study and to contribute significantly to the research.

Both companies have many similarities and strategies in common – both of them were the first from their countries to receive the BES 6001 certification, both of them are part of the Holcim Group (Table 1), the biggest producer of cement in the world, and both of them have sustainability at the core of their business.

Table 1. Key information about Aggregate Industries and Holcim Romania (Holcim Group, 2014a; Ministry of Public Finance, 2013)

Information	Aggregate Industries	Holcim Romania
Turnover 2013 (mil. EUR)	N/A	202*
Number of employees 2013	3.956	798
Production units	350	23
Type of operations/products	Aggregates, Asphalt, Concrete, Cement, Precast Concrete Products	Cement, Aggregates and Ready-Mix Concrete

The chosen interviews were selected based on their expertise and knowledge related to the topic, being part of the senior management of their companies or having key positions. The interviews were made with:

- Sustainable Products Manager, Aggregate Industries;
- Marketing Manager Concrete Products, Aggregate Industries;
- Integrated Management System Coordinator, Holcim Romania;
- Marketing Manager, Holcim Romania.

Interview guides and data analysis

In order to make a cross-case and cross-nation analysis two interview guides with 12 questions, closely related to the research objectives, were prepared for the companies that are being analyzed by this study, Holcim Romania, and Aggregate Industries.

The empirical findings gathered through the interviews with the managers from Aggregate Industries and Holcim Romania was analyzed in comparison with the information collected from public information about the companies and their activities related to green marketing and BES 6001 certification.

In order to analyze the content of the interviews with the managers of both companies, the interviews were transcribed and coded in order to make a cross comparison between the information. According to Saldana (2013), a code in qualitative inquiry is most often a word or short phrase that symbolically assigns a summative, salient, essence-capturing, and/or evocative attribute for a portion of language-based or visual data. The codes were numbered in the order of relevance to the research questions, resulting 12 codes (Table 2).

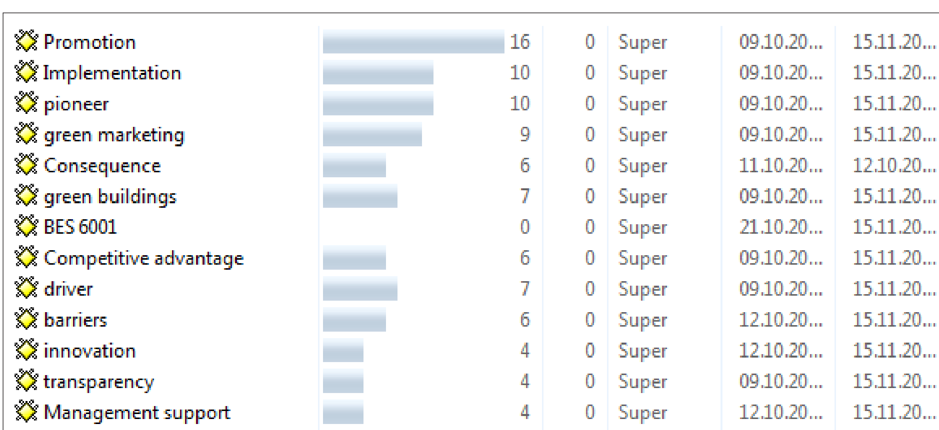
For the coding, a quantitative analysis of the interview was conducted using the Atlas.ti, a Computer Assisted Qualitative Data Analysis Software (CAQDAS). According to Saldana (2008), the CAQDAS software efficiently stores, organizes, manages, and reconfigures the data coded by the researcher in order to enable human analytic reflection.

Table 2. Defining the codes

Code	Definition	Interview question
Drivers	The main factors that influenced the decision of obtaining the BES 6001 certification	Which were the main drivers in taking the decision of obtaining the BES 6001 certification?
Implementation	Process of implementation	How is the responsible sourcing of products currently implemented by the company?
Management support	Implication and support of the management	To what extent does the management of construction materials producers need the BES 6001 certification?
Green buildings	Status of sustainable building	Which are the barriers/challenges for marketing managers in order to target the decision makers that are interested in developing green buildings?
Pioneer	Why being the first is important	Which were the strategies for implementing the BES 6001 certification in green marketing initiatives from 2011 until now?

Code	Definition	Interview question
Transparency	Public availability of the performance indicators	How does the company communicate sustainability towards its customers?
Barriers	Difficulties in promoting BES 6001 certification	Which are the barriers of making best practices in green marketing in the construction industry?
Green Marketing	Connection between BES 6001 and green marketing	To what extent is green marketing applied in the United Kingdom/Romanian construction industry?
Competitive advantage	The advantage provided by the BES 6001 certification	What makes you think that the BES 6001 certification improved the green marketing strategy of Aggregate Industries/Holcim Romania?
Promotion	Targeting decision makers	Which were the strategies for implementing the BES 6001 certification in green marketing initiatives from 2011 until now?
Consequence	Using BES 6001 in the construction market actual context	Are the companies from the United Kingdom/Romanian construction sector aware of the potential benefits of environmentally responsible innovation?
Innovation	The main eco-innovations of the company	Which are the main eco-innovations of the company and what were their impact on the green marketing initiatives of the company?

After coding the interviews, the three most used codes were "promotion", "pioneer" and "implementation" (Figure 2). These top 3 codes reveal the fact that BES 6001 certification represents an opportunity for promoting the sustainable approach of the companies while being the first to obtain it offers an advantage in front of the competition. The second most discovered code, the "implementation", presents how difficult and resource consuming was to obtain and implement the certification.



Promotion	16	0	Super	09.10.20...	15.11.20...
Implementation	10	0	Super	09.10.20...	15.11.20...
pioneer	10	0	Super	09.10.20...	15.11.20...
green marketing	9	0	Super	09.10.20...	15.11.20...
Consequence	6	0	Super	11.10.20...	12.10.20...
green buildings	7	0	Super	09.10.20...	15.11.20...
BES 6001	0	0	Super	21.10.20...	15.11.20...
Competitive advantage	6	0	Super	09.10.20...	15.11.20...
driver	7	0	Super	09.10.20...	15.11.20...
barriers	6	0	Super	12.10.20...	15.11.20...
innovation	4	0	Super	12.10.20...	15.11.20...
transparency	4	0	Super	09.10.20...	15.11.20...
Management support	4	0	Super	12.10.20...	15.11.20...

Figure 2. Coding the interviews

Findings

Taking into consideration the qualitative analysis made, the strategies of Holcim Romania and Aggregate Industries can be compared in order to find the similarities and the differences between their approach towards BES 6001 certification and green marketing.

Through the analysis of interviews resulted that the approach in obtaining and implementing the BES 6001 certification was similar for both companies, while the context of the market was totally different. Holcim Romania and Aggregate Industries decided to obtain the responsible sourcing standard in order to gain a competitive advantage by being the first to have a high-level certification, useful for developing green buildings. In addition, both companies had the support of their management and had dedicated teams for making the research and preparing the necessary procedures and documentation (Table 3).

Table 3. Comparison between the strategies of Holcim Romania and Aggregate Industries towards BES 6001 certification

Research questions	Similarities	Differences
Which were the main drivers of the companies to pursue such a certification?	Both companies were the first to achieve the BES 6001 certification in their countries.	In the United Kingdom one of the main drivers for obtaining the BES certification were the codes and regulations established for building sustainable projects by the Government.
	Both companies spend around 18 months to obtain the certification	
	They had the full support from their management.	
How is the BES 6001 certification implemented in Romania and in the UK and to what extent can it be used to promote green marketing in the construction industry?	They establish a team for making research about responsible sourcing and deal with the formalities for receiving the standard.	
	All their suppliers have implemented procedures that allow them to provide raw materials.	
How do marketing managers identify and target the decision makers that are interested in developing green buildings?	Both construction markets are now price oriented and promoting responsible source products is very difficult.	Aggregate Industries benefited from the beginning from BES certification, becoming the supplier of choice for sustainable buildings. Holcim Romania has only 2-3 companies interested in developing green projects.
		In the United Kingdom, all the new construction projects have to be sustainable. In Romania, there aren't any strict rules and regulations related to sustainable constructions.

Research questions	Similarities	Differences
How can marketing managers improve the results of green marketing initiatives using BES 6001 certification?	The most efficient communication with decision makers was made through events	Aggregate Industries launched a catchy strapline "The responsible source", that was utilized in all the promotional materials and in their external events
	Both companies launched a new range of products under the BES 6001 certification	Aggregate Industries has a wider range of sustainable products, under the Life Product brand.
	The communication with decision makers is done mainly through sales teams.	Aggregate Industries has 30 products and services brochures mentioning the BES 6001 certification, while Holcim Romania has only two.

Both companies have mentioned that transparency is essential when taking the decision to allocate resources for making responsible sourcing, in order to avoid greenwashing. In addition, promoting BES 6001 was not an easy task for the companies researched in this study. One of the main barriers for Aggregate Industries when promoting responsible sourcing identified by the company was that the construction companies want to build as cheaply as possible, and the procurement departments might not have the same goals as the Sustainable Development departments and therefore the high ideals are often forgotten. On the other hand, Holcim Romania mentioned another type of barrier for promoting BES 6001, responsible sourcing is a quite narrow niche in a construction market with a more or less favorable evolution.

The major difference in taking the decision to obtain the BES 6001 certification was the context of the construction market. The Government of the United Kingdom was one of the main drivers for developing sustainable constructions and green certifications, while in Romania only the private investors and associations are supporting the development of green buildings.

Conclusions

This study revealed the fact that responsible sourcing of products can be used as a green marketing tool, even if the context of the construction market is different from one country to another. Aggregate Industries and Holcim Romania had many similarities related to green marketing strategies using BES 6001 certification. Still, Aggregate Industries has placed BES 6001 at the heart of its communication with external stakeholders, creating a strapline called "The responsible source", while Holcim Romania is just at the beginning and took the decision to have a more targeted approach towards its customers.

Both companies were pioneers on their markets in terms of receiving the responsible sourcing standard and wanted to have a competitive advantage in difficult market conditions. The informants recognized the fact that the management team was one of the main drivers for implementing this certification and also promoted the green marketing initiatives related to BES 6001.

Responsible sourcing of products has become a norm in the United Kingdom, because of the increasing numbers of companies from the construction sector that obtained the BES 6001 certification. By comparison, green buildings are the exception on the Romanian market and companies such as Holcim Romania find it difficult to target the decision makers through green marketing.

There are not only advantages in using BES 6001 for making green marketing. The main barriers of the BES 6001 certification mentioned by the managers of both companies are:

- The narrow niche of sustainable projects in the whole construction industry;
- Customers are mainly interested in having a reduced price for building material products;
- In the United Kingdom, the private investor's decisions depend on Government regulations, while in Romania there are only a few companies that understand what a sustainable construction means.

Targeting the decision makers is one of the most difficult tasks for both companies when making green marketing, especially for Holcim Romania. This study revealed the fact that companies need the support of the Government in reinforcing regulations for sustainable constructions, a conclusion that has been demonstrated also by the Studies of (Delmas & Burbano, 2011; Lee, 2009; Serpell, 2013; Shi, Zuo, Huang, Huang & Pullen, 2013). Aggregate Industries benefited from the green initiatives of the Government, such as the National Planning Policy Framework, the Code for Sustainable Homes or the Energy Performance Certificates.

Limitations and further research

The limitations of the study are that the sample size might be considered too small, but taking into consideration that there is only one company in Romania that obtained the BES 6001 certification, this case study will be very useful for further research related to green building environment in Romania.

The aim of this research was not to generalize, but to explore the data that is available related to the responsible sourcing of products and its connection to green marketing and to understand the implications of applying the BES 6001 certification.

Another obstacle in this research might be that the Romanian market is not yet ready for initiatives such as BES 6001 and the gap between the United Kingdom and Romania is too large, which might imply a reduced level of validity and reliability.

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Rethinking Entrepreneurial Culture towards CSR

Patrizia GAZZOLA, Gianluca COLOMBO

Introduction

Some innovative entrepreneurs have the idea to change the world. Nevertheless, if they have such ambition they also must evolve their entrepreneurial culture (Beugelsdijk, 2010; Mueller & Thomas, 2001). Business ethics, leadership, and values are an important part of the entrepreneurial culture. These important issues in business and society are considered as vital ingredients for the long-term success of businesses (Engelbrecht, Van Aswegen, & Theron, 2004). Over the last decade, there was an increased interest in the societal role of corporations; this movement was originated with Ansoff (1979). Unethical behavior is the basis for corporate scandals and fraud or the creation of misleading financial reports. Issues like these have sensitized people worldwide towards the degree of CSR displayed by companies. The base of CSR is the conduct of entrepreneurs. To contribute to an ethical climate, leaders at the top or business organizations have to feel that there is a need for ethical behavior and that strategic importance has to be given to ethical and moral values. As characteristics of top-level executives appear to be related to organizational outcomes (Matthews, 1987). They are the ones that have to think and act based on ethical and moral values. Normally the term "sustainable business," is connected with CSR: energy efficiency, reduced carbon footprint, recycling and reuse, fair treatment of employees, and charitable giving, among other considerations, in the paper we argues that it is connected with the entrepreneurship culture (Hayton & Cacciotti, 2013) and the base of this culture is the individual social responsibility (Coda, 2010).

Starting from this conceptual framework, the focus of this work is on entrepreneurial culture. Such values are linked to personal attributes of entrepreneurs but are also connected to anthropology factors (historical, social and cultural) being profoundly rooted in socioeconomic context. In taking into account the Stakeholder theory and the business case of CSR a research model was developed to test the impact of ethical values and individual social responsibility on CSR.

The research questions posed at the basis of this study are the following:

- How can we have CSR without individual social responsibility?
- What is the importance of sharing common values that originate from and are reinforced by the entrepreneurs'?
- Are social business enterprises maximizing social benefits or maximizing profits?

To answer the question we analyze the case of Grameen-Danone Foods Limited that produces profits for the people and the planet.

Literature review

According to Burns (2008) we consider entrepreneurial culture the personal qualities of successful entrepreneurs and the manner in which they do business. The culture drives the mission of the companies. The scope in which the mission-driven enterprises operate is known as "social entrepreneurship". This is a new concept, but it is not a new phenomenon (Dees, 2001). Although the term is relatively new, social entrepreneur (Johnson, 2000), can be found throughout history (Banks, 1972; Drucker, 1979). According to Nicholls (2006), the concept of social entrepreneurship was first used between the 1970s and the 1980s. Davis (2002) considers the term widely credited to Bill Drayton. He is the founder of the social venture philanthropy, Ashoka in 1981 with the goal of supporting individuals solving social needs using the same tools and skill sets as profit based entrepreneurs (Bornstein, 2007). Drucker argues that social entrepreneurs "change the performance capacity of society" (Gendron, 1996, p.37) while Henton et al. (1997, p.1) speak of 'civic entrepreneurs' as "a new generation of leaders who forge new, powerfully productive linkages at the intersection of business, government, education, and community". The study of Hines (2005) identifies the challenges that social enterprises face in achieving their social, economic and environmental objectives. Schulyer (1998, p.1) describes social entrepreneurs as "individuals who have a vision for social change and who have the financial resources to support their ideas....who exhibit all the skills of successful business people as well as a powerful desire for social change". Boschee (1998) presents social entrepreneurs as "non-profit executives who pay increased attention to market forces without losing sight of their underlying mission". Thompson et al. (2000, p.328) describe "people who realize where there is an opportunity to satisfy some unmet need that the state welfare system will not or cannot meet, and who gather together the necessary resources (generally people, often volunteers, money, and premises) and use these to 'make a difference'". Mair and Marti (2006) argue that social entrepreneurship as a practice that integrates economic and social value creation has a long heritage and a global presence. Research on social entrepreneurship has been a topic of increasing interest since the 1990s (Dees, 2001; Mair & Marti, 2006) as a result of increased global social problems (Bornstein, 2004). According to Allan, there are three schools of thought on how social enterprises should be promoted and each of these schools will emphasize one of the common characteristics of social enterprises, such as enterprise-oriented, social aims and social ownership. Ul Islam (2007) analyzes the model for poverty alleviation through social enterprise, thus providing ways and means to set up sustainable institutions in the direction of offering support for people in poverty. One of the author conclusions is that the social enterprises can be set up in urban slums through joint ventures between non-profit organizations and small businesses that have the capacity to expand.

Diochon (2010) considers entrepreneurial strategy, which is understood as "a comprehensive action plan that identifies a long-term direction for an organization and guides resource utilization to accomplish goals with sustainable competitive advantage" and then the aspects of organizational governance. Bénabou and Tirole (2010) argue that there are three possible understandings of corporate social responsibility: the adoption of a more long-term perspective, the delegated exercise of philanthropy on behalf of stakeholders, and insider-initiated corporate philanthropy. The latter two understandings build on individual social responsibility, which led us to review individual motivations for prosocial behavior. Thus, although organizations with a social purpose have existed for many years, they have recently received increasing attention at a scholarly and governmental level (Dees, 2001; Leadbeater, 1997). In general terms, most of the articles on social entrepreneurship are based on the description of the phenomenon (Choi & Majumdar, 2014). The aim of the paper is to describe the importance of Entrepreneurial culture like the success factors of social entrepreneurs.

People, profit, planet, and social business

First conceived by John Elkington in 1997, the triple bottom line or "People, Planet, Profit" approach tried to bridge the gap between economic benefits (Profit) and non-economic benefits (People and Planet), which appeared to be mutually exclusive in any previous theory. Elkington's concept recommended measuring profits not only in terms of financial value but also in terms of other economic, social and environmental denominations, collectively called 'People, Planet and Profit' (PPP). Social and environmental entrepreneurs are concerned with people. They realize that for business to play a role in sustainable development, there must be justice, equity, and peace in their communities. They do not adhere to models of conducting business that may exploit women, children, disabled people or ethnic minorities. In the last decades, too many problems and scandals come from environmentally harmful production, child labor, dangerous working environments and other inhumane conditions. Rather, their business models are inclusive, and often involve community development activities so that members can participate fully in the business, as well as improving their livelihoods.

Conserving or restoring the environment is an equally important goal of social and environmental entrepreneurs. Many innovative entrepreneurs have realized that there are alternative models of conducting business that do not need to exploit the environment to the point of depletion or destruction. Further, many entrepreneurs are taking advantage of emerging new markets, such as ecosystem services, environmentally responsible forestry and eco-tourism. Others have realized there can be great wealth in waste, from opening recycling facilities, to producing a range of products from materials, including alternative energy sources, clothing, and jewelry. Social or environmental entrepreneurship is not incompatible with making a profit, rather these enterprises are for 'more-than-profit' because they combine revenue-generation with social and environmental benefits.

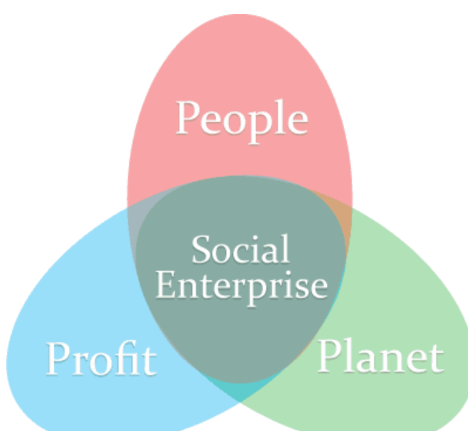

Figure 1. Social enterprises between profit, planet, and people (adapted by Elkington, 1997)

"Social business," as defined by Pr. Muhammad Yunus (2010), is business whose "goal is to solve some of the social, economic, and environmental burdens that affect humanity: hunger, lack of housing, health, pollution, ignorance…" Organizations created for this purpose should in principle generate profits; however these profits, in Pr.Yunus' strict definition, are to be invested back. Social enterprises (figure 1) apply business solutions to social problems. The ultimate goal is to achieve sustainability by enabling non-profits to support themselves financially in innovative ways instead of relying solely on grants and donations. Since there are no shareholders in a non-profit organization, the profits from the related social enterprise are completely reinvested in the work of the organization. The idea of Bill Drayton and Muhammad Yunus in principle is simple, use the same market behaviors that are responsible for our own three hundred year ascent in a pointed and purposeful way to create self-sustaining enterprises and businesses that solve social issues (Austin & Stevenson, 2006).

The necessity of revenue-generating activities for non-profits has built a new operating model where business principles, market ideas, and values co-exist and work with traditional public sector values like responsiveness to society and following the public interest. To be successful a social enterprise needs a good business model that includes two basic elements:

- an operating strategy that includes all the stakeholders, internal organizational structure and external partnerships that are crucial for creating the organization's image and reputation (Gazzola & Battistini, 2015);
- a resource strategy that analyzes the financial and human resources necessary for the activities to be efficient.

The business model for a social enterprise permits to the social entrepreneur to transform inputs into outcomes; the generation of both social value and economic value. A social enterprise can be connected with the non-profit organization in one of these ways:

- Coincident, when the enterprise and the social programs are only one and the business is created for the clients and it is central to the mission.
- Integrated, when the business activities overlap with the social programs and his business is created as a funding mechanism and to expand and improve the mission of the organization.
- Outside, when social and business activities are separate and may or may not be related to the mission of the organization and the business is created mainly as a funding mechanism to finance social activities.

Moving from CSR to ISR

In spite of the varying definitions of social entrepreneurship, a common factor emerges in almost every definition: the 'problem-solving nature' of a social entrepreneur is significant, and the corresponding emphasis on developing and implementing initiatives that produce measurable results in the form of changed social outcomes and/or impacts (McLeod, 1996).

Muhammed Yunus defined a social business enterprise (SBE) as a business with primarily social objectives, whose surpluses are principally reinvested in the business or in the community rather than just accumulated as profits. The basic features of an SBE are that it:

- Adopts the principle of benefit maximization rather than profit maximization,
- Operates without incurring losses while serving disadvantaged people and the planet is nonetheless, serious about investing in expansion, innovation and increasing productivity,
- Competes with profit maximizing enterprises as well as other SBEs for market efficiency,
- Generates enough surplus to pay back the invested capital to the investors as early as possible.

Social entrepreneurs play the role of change agents in the social sector by:

- Adopting a mission to create and sustain social value and not just private value,
- Recognizing and relentlessly pursuing new opportunities to follow the mission,
- Engaging in the process of continuous innovation, adaptation, and learning,
- Acting boldly without being limited by resources currently in hand,
- Exhibiting a heightened sense of accountability (Dees, 2001).

Social entrepreneurship is based on the social value creation process. Individual Social Responsibility drives the social entrepreneurship. ISR promotes a proactive stance towards positively influencing and affecting the people and environment in and around one's immediate circle (figure 2). ISR drive CSR (Gazzola & Colombo, 2015) as a corporation is comprised of individuals and hence ISR determines the culture of social responsibility, it creates. Individuals are increasingly becoming socially responsible and thus, companies are required to become socially responsible for meeting demands. Values are at the base of ISR and they help to both define the "core" of people and explain, why people make sacrifices, who they are and what they are willing to give up to attain their goals (Mitchell, 1971). For an organization, values serve to give a sense of identity to its members, enhance the stability of its social system, direct manager's attention to important issues and guide their decisions (Deal & Kennedy, 1982). As such, values are an essential part of a company's overall culture, affecting many important activities and relationships, such as competitive strategies, personnel policies, and relationships with different stakeholder groups (Valentine & Barnett, 2003; Hunt, 1989).

An organization's ethical values emanate from the personal predisposition of the company's leading manager or entrepreneur and as such influence their decisions and lead to actions that are desirable to the organization (Shane & Venkataraman, 2009). Values are the basis for defining the normative standards for the organization's members. They have consequences for the respective organization, including the legitimization of entrepreneurial and managerial actions (Stevenson and Jarillo, 2007), the quality of products, improved trust, a greater organizational commitment and increased effectiveness due to a strengthened organizational culture (Engelbrecht, Van Aswegen, & Theron, 2005). Besides, Peters & Waterman (1982) point out that firms that show superior performance have a well-defined set of shared ethical values. In this regard, values are necessarily and explicitly part of doing business (Freeman, 2004). In making this statement, Freeman rejects the thought that ethics and economics can be separated sharply from each other and do not have anything in common. Values are still too often seen as a counterbalance of the company's profit orientation, which in this regard almost seems to be objectionable (Jamshidinavid, Pourmazaheri & Amiri, 2015).

Entrepreneurial values are considered as "roots" of ethical bases that orient CSR approaches of companies. In these companies, entrepreneurial values represent a fundamental driving force of the CSR philosophy and stakeholder management practices. They also lead to the adoption of CSR practices and related communication tools.

Figure 2. Example of individual social responsibility (Portolese Dias, 2012)

Profit is not all that matters

The difference between the two kinds of entrepreneurs: profit oriented and social oriented, is not only the motivation. If we compare the entrepreneurs spurred on by money and social entrepreneurs driven by altruism there are more differences, they have a different ISR. Both the entrepreneur and the social entrepreneur are strongly motivated by the opportunity they identify, pursuing their vision and gaining considerable psychic reward from the process of realizing their ideas. Regardless of whether they operate within a market or a not-for-profit context, most entrepreneurs are never fully compensated by money for the time, risk, effort, and capital that they invested. It is possible to differentiate entrepreneur and social entrepreneur for the values. For the entrepreneur money oriented the value proposition is organized for the markets for creating financial profit. From the outset, the expectation is that the entrepreneur and other investors will derive some personal financial gain. Profit is necessary to maintain the equilibrium of the firm. The social entrepreneur is not organized to create financial profit for the investors. The social entrepreneur follows the values connected with the mission and with the society in general. Normally entrepreneurial value proposition assumes a market with customers that are able to pay for the innovation (Zhao, 2005).

The social entrepreneur's value proposition is aimed at an underserved or highly disadvantaged population that lacks the financial means. This does not mean that social entrepreneurs cannot have the profit-making value propositions. Companies created by social entrepreneurs can generate income, and they can be organized as either not-for-profits or for-profits (figure 3), but what characterize the social entrepreneurship is the primacy of social benefit.

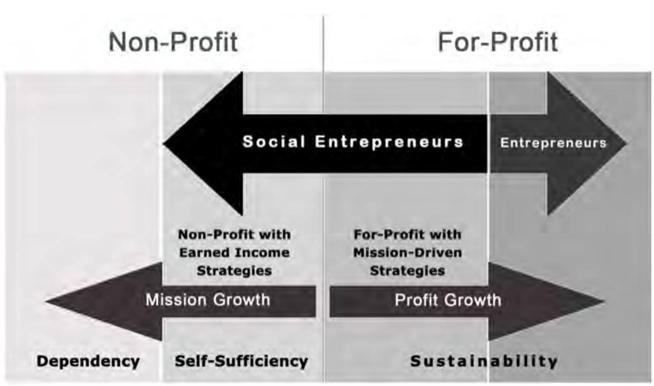

Figure 3. Entrepreneur and social entrepreneur (Abu-Saifan, 2012)

Danone and Yunus: the social business enterprise (SBE)

Grameen Danone Foods Ltd. is a joint venture started as a 'social business enterprise' in 2006 after Muhammad Yunus, the founder of Grameen Bank (famous for pioneering micro-credit), and Franck Riboud, the Chief Executive Officer of Danone, decided to begin a business that would bring low-cost and highly nutritious food to the people of Bangladesh. Together, Riboud and Yunus, in order to fight malnutrition, decided to produce a fortified yogurt, the Shokti Doi, to improve the nutrition of poor children in Bangladesh. The first micro-yoghurt factory was opened in Bogra in 2007. The joint venture produces a yogurt enriched with crucial nutrients that it fulfilled the nutritional needs of children in Bangladesh. Each 60 g cup of Shokti Doi brings approximately 12.5% of RDA in Calcium and is fortified with 30% of RDA in Zinc, Iron, Vitamin A and Iodine. The price is 6 BDT (= 0.06 EUR) which even the poorest can afford. Grameen Danone Foods affects people's lives not only by improving their health, they also agreed that the partnership should aim to improve the living conditions of some of the poorest communities of Bangladesh by involving those communities in the production, distribution, and sales of the yogurt.

Benefits exist along the whole value chain. The milk for the yogurt is purchased from a co-operative of micro-farms, financed by Grameen, in the Bogra district. The production is designed in such a way as to give as many people as possible a job. Once the yogurt is produced, it is distributed in two ways: either to shops which have fridges or cooling boxes or through 'Grameen Danone Ladies' a network of micro-entrepreneurs who are trained and coached by Grameen Danone staff. Sales ladies distribute the yogurt door-to-door and receive a 10% provision. Unsold yogurts are taken back. Danone provides the expertise in technical areas such as construction, plant maintenance, and yogurt production, while Grameen brings their understanding of the local environment together with their extensive networks.

In total, Grameen Danone Foods is responsible for the creation of about 1,600 jobs within a 30km radius around the plant. There is also an environmental aspect: solar energy is used for heating up the water that is used for cleaning the installation and preheating water for the main boilers. In addition, the packaging of the yogurt is fully biodegradable. Therefore Grameen Danone Foods contributes to the achievement of the Millennium Development Goals by the United Nations to end poverty. The benefits are multiple: the yogurt is highly nutritious, improving the health and nutrition of children in some of the poorest areas of Bangladesh; the yoghurt is manufactured from products that are locally sourced, thereby providing a source of income for local farms; and Danone Grameen plan to build up to 50 plants by 2020.

Conclusion

In the globalization period it is important not only what customers buy but also how the goods and services they buy have been produced. All organizations aiming at long-term profitability and credibility are starting to realize that they must act in accordance with social and environmental need (Gazzola & Mella, 2015). The environmental and social innovations that are emerging today are being met with both enthusiasm and skepticism. It can be a promise of a better tomorrow, but the risk could be a cosmetic overlay, a "social greenwashing" of sorts, that will basically change nothing. However, while this debate is far from settled, some answers are emerging already and probably the best way to tackle the issue is to take a close look on the social business enterprises and learn from their experience.

Today, social business is the new frontier, in that it combines an ambition for development and the conquest of new markets. Environmental and social innovations can become the levers of a transformation of companies, not only improving their performance but also contributing to the invention of a new, more sustainable and more inclusive economy. The example of Grameen Danone provides a concrete framework to study the initiatives taken by multinational companies from first-world countries to address the low-income populations from emerging countries. In this article, we argue that entrepreneurial personal values are essential for creating sustainable economic and financial value because only those organizations, which are able to import values and appreciate the relationships with their stakeholders, will be successful in the future. There is no sustainable world without sustainable people. Individuals are nuanced in their assessment of the factors underlying their choices. One cannot simply accept that they will respond positively to "doing good"; it must be good for them in their role entrepreneur. In addition, it is impossible to speak of corporate social responsibility without understanding that for companies to be socially responsible are necessary socially responsible individuals in their various roles. Hence, it not possible to expect CSR without ISR.

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The Effect of Microfinance on Jordanian Women's Socioeconomic Empowerment and Marketing Practices

Motteh S. AL-SHIBLY, Reem M. ALREFAI'

Introduction

Women are just as capable of success as men. Women in Jordan have made great strides in educational and political achievement over the past generation. However, many challenges face the Jordanian women political, social and economic status based on social, family attitudes, traditional, cultural and religious values about what women and men's roles are.

Over the last decade, the Millennium Development Goals (MDGs), in particular, Goal 3 – "to promote gender equity and empower women", have stimulated increased attention to poor women's socioeconomic empowerment in a range of sectors from formal employment to outsourcing, small business, petty trading and informal, home-based income generating activities (Jones et al., 2008; Esplen & Brody, 2007).

According to the State of the Microcredit Summit Campaign 2001 Report, 14.2 million of the world's poorest women now have access to financial services through specialized microfinance institutions (MFIs), banks, NGOs, and other nonbank financial institutions.

These women account for nearly 74 percentage of the 19.3 million of the world's poorest people now being served by microfinance institutions. (The Microcredit Summit Campaign defines poorest as the bottom half of those living below their nation's poverty line).

The importance of studying the dynamics of female empowerment grew over the last years in line with real economic trends. Despite this growing attention and its impact on the world economy, the body of studies on women entrepreneurs still needs to grow (Ahl, 2006; De Bruin et al., 2006, 2007; De Vita et al., 2014). The Europe 2020 Strategy

— the EU's key document for smart, sustainable and inclusive growth — has a headline target to raise the employment rate for women and men aged from 20-64 to 75 % by 2020 (Report on Progress on Equality between Women and Men in 2010, the gender balance in business leadership, p.4).

Importance of the study

This study takes the lead to study the socioeconomic empowerment of Jordanian women and their marketing practices with reference to the impact of microfinance. It examined the extent to which funding micro projects have proven to improve the socioeconomic standards of living for women and their families. Hence, development of any society requires that each able individual, male or female, be a productive and active contributor to the advancement of his or her society (Olaimat & Al-Louzi, 2008).

The purpose and goal of the study

The purpose of this study is to understand the concept of socioeconomic empowerment by which Social empowerment is understood as the process of developing a sense of autonomy and self-confidence, and acting individually and collectively to change social relationships and the institutions and discourses that exclude poor people and keep them in poverty (Blomkvist, 2003). Economic empowerment is thought to allow poor people to think beyond immediate daily survival and to exercise greater control over both their resources and life choices. There is also some evidence that economic empowerment can strengthen vulnerable groups' participation in the decision-making. For example, microfinance programs have been shown to bolster women's influence within the household and marketplace (Eyben, Kabeer & Cornwall, 2008). Moreover, it is relevant to understanding the role of marketing practices in empowering women socially and economically.

The main goal of this study is to improve women abilities to make appropriate decisions, self-confidence, and increased independence as there have been trends of women that do not have a chance to prove themselves in the community, especially in poor regions. Therefore, aspects taken in this study related to women socioeconomic empowerment refers to women financial ability and marketing capabilities to set up their own projects expand it and improve it in addition to the women who faced difficulties to get out of their homes because of social pressure.

Jordanian women socioeconomic empowerment

In all societies, women are the bedrock of families and a crucial element in achieving progress. Women in Jordan are participating more and more in all aspects of civic life.

Additionally, Jordanian women have for a long time been prominent in the private sector and now are taking more advantage of enhanced business opportunities and public sector initiatives designed to encourage female entrepreneurs. All of these developments show Jordan's confidence in the ability of women to achieve positive change. This is partly due to a substantive regional campaign and the institution we, in Jordan, launched to encourage socio-economic and political participation of women. (Her Majesty Queen Rania Al Abdullah, July 23, 2005).

Current Jordanian labor laws and regulations embody both positive and negative provisions for women. Indeed, some of the laws originally intended to protect women have actually had an adverse impact on women's economic participation. There are widely varying estimates of women's participation rates in the economy, all of which indicate low economic participation levels. Estimates range from 12% -26%, depending on the source of information (The Economic Advancement of Jordanian Women: A Country Gender Assessment, 2005).

Nevertheless, we cannot deny the Jordanian government's efforts in cooperation with human rights organizations to reduce the proportion of Gender discrimination and increase participation rates of women in the labor market despite the scarcity of this resource-poor country, but it relies heavily on its human capital.

Jordan's illiteracy rate remains among the lowest in the Arab world, with 9.1 % of residents aged above 13 classified as illiterate, according to the 2015 Population Census. The survey showed that the illiteracy rate varies between citizens and non-Jordanians, standing at 6.7 per cent and 14.5 per cent respectively (Azzeh, 2016). Adult women in Jordan are still less educated than men, but gender disparity in educational attainment is quickly disappearing among younger cohorts. (Majcher-Teleon & Ben Slimène, 2009, p.3). Results in 2016 showed that the illiteracy rate among Jordanian females amounted to 8.9% compared to 4.6 among Jordanians males. The results also indicate that the lowest level of illiteracy has been among the individuals who are age (13-19 years) increased by 1.7% among males and 1.5% among females. These ratios increased with advancing age that reached its highest level of 17.9% males and 48.9% among females. This is an indication of the direction of the future decrease in these ratios end of this generation, which contributes to the high illiteracy rates in the present time, as shown in figure (1) (The Department of Statistics, 2016).

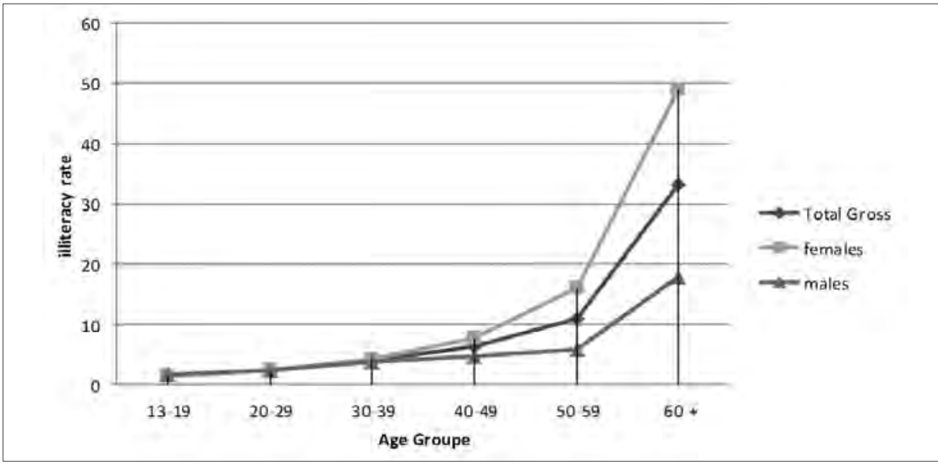

Figure 1. The illiteracy rate among Jordanians individuals aged 13 years and over by age and sex groups, 2015 (The Department of Statistics, 2016)

Despite improving levels of educational attainment in Jordan, the unemployment rates increased by 0.6 percentage points during the First quarter of 2015 compared with the fourth quarter of 2014. Taking gender into consideration, it becomes clear that the Unemployment Rate has increased for males by 0.1 percentage points and for females increased by 3.0 percentage points in the 1st quarter of 2015 compared with the fourth quarter of 2014 (Department of Statistics, 2015).

The growing educational attainment levels of women and the high rates of female unemployment and non-participation in the labor market have led to a serious waste of resources invested in women's education. (Majcher-Teleon & Ben Slimène, 2009). There has been a great deal of research and many studies on the socioeconomic benefits of women's economic empowerment. Women participation in economic activity brings benefits at both micro and macro levels. At a macro level, a positive correlation can be observed between female labor force participation rates and economic growth. At the micro level, the labor force participation of women is beneficial for the welfare of the family (in areas such as income, health and children's education). Comparative studies examining the impact of female education on GDP (gross domestic product) and poverty reduction demonstrate positive effects (World Bank, 2004). Education and skills enhance the productivity of both women and men and increase their opportunity for paid employment in the formal sector.

Marketing practices

According to several academics, firms are now emphasizing the retention of customers and the management of relationships, which extend beyond the buyer-seller dyad to include partners through the value chain. (Day & Montgomery, 1999; Morgan & Hunt, 1994; Webster, 1992). A basic goal of social science is to provide a theoretical explanation for behavior. In marketing, this goal includes attempts to explain the behavior of consumers, salespersons and others involved in discipline related activities (Peter, 1981) the relational view of marketing has evolved from efforts by both business to business and services scholars to differentiate the marketing practices by the nature of the customers served or product offered, however, there are also theoretical developments pertaining to consumer markets and goods firms, thus extending the relevance of relationships across different contexts (Pels, 1999; Sheth & Parvatiyar, 1995).

Gronroos (1991) and Webster (1992) suggest that marketing is characterized by multiple complex processes manifested in four different aspects of marketing practices: 1 – Transaction marketing: managing the marketing mix to attract and satisfy customers; 2 – Database marketing: using technology based tools to target and retain customers; 3 – Interaction marketing: developing interpersonal relationships to create cooperative interaction buyers and sellers for mutual benefit; 4 – Network marketing: developing interfere relationships to allow for coordination of activities among multiple parties for mutual benefit, resources exchange and so forth. The best implementation of these practices influences the success or failure of any project, which indeed leads to social and economic empowerment. For this study, we will focus on the acquirement of marketing skills and capabilities for woman needed to implement best practices and strategies (pricing, product development, placing and promoting) regarding products in order to improve and expand their businesses. One of the most critical challenges was finding adequate data related to marketing practices in Jordan either for males or females, through an extensive study and research on this issue, most of the institution's programs categorized in incubations, communication networks, consultation and entrepreneur training (common data about entrepreneurs).

Jordan River Foundation (JRF)

JRF, which is chaired by Her Majesty Queen Rania Al Abdullah, founded in 1995, a Jordanian non-governmental & non-profit organization. *Main programs*: The Jordan

River child protection program, Jordan River program to enable local communities. *Values*: Social Justice, Sustainability, Participation, and Responsibility.

Work approach: the Foundation initiated to launch multiple social and economic projects for women; it aims to provide employment opportunities that would improve the ways of life

In conjunction with this, these projects are working to strengthen women's knowledge and skills in the production of traditional handicrafts, as well as entrepreneurial skills. In addition, it succeeded this kind of initiatives benefit thousands of individuals, directly and indirectly, and continues to this day to improve the sources of income for local communities and families vulnerable in various parts of the Kingdom. The Foundation managed during the last twenty years the training and empowerment of 23,373 women and young women in a variety of areas of awareness and the provision of productive work opportunities for 4083 women.

Jordan River program to enable communities: It is a key enterprise program and which embodies the commitment to sustainable human development through the implementation of numerous projects aimed at empowering local communities, to contribute to the creation of economic opportunities and improve the standard and quality of living, and that by rearranging the resources of nature and the human and economic at the local level. Practical method adopted in the implementation of development projects and interventions in the Jordan River program to enable communities includes the following main activities:

- The formation of community committees and communication;
- Awareness, training, and capacity building;
- Definition of communities and identifies development projects;
- Registration and the institutionalization of the local cooperative societies;
- Implementation of development projects.

The result of such a method is sustainable projects managed by the local community through the Administrative Committee on Cooperative Association democratically elected.

Located community empowerment program interventions in the following categories:

- Comprehensive Rural Development;
- Empower women economically;
- Youth empowerment;
- Enable and support the local community bodies;
- Strategies, consulting and lobbying;

Methodology

This section deals with a description of the study community, tool, variables (the independent and dependent) and model.

Study Approach

This study is based on the descriptive approach to identify the role of microfinance and marketing practices in the empowerment of Jordanian women socially and economically. This approach is based on the interpretation of the status quo by setting conditions and dimensions and characterization of the relationship between them in order to reach a scientific and accurate description of the problem.

Society and the study sample

We tried to track down a comprehensive list of support opportunities for female entrepreneurs that would form the basis of this study. As mentioned before, undertaking research in less developed environments is not easy and data collection usually represents the biggest challenge (Ramadani et al., 2013a; Dana & Ramadani, 2015). The lack of systematic data collection is a typical characteristic of the Middle East and an impediment to carrying out deeper quantitative analysis of official data. Most of the data is either fragmented or incomplete, in such cases, it is appropriate to select the Purposive sample. Accordingly, we have to understand women points of view with deep understanding to their beliefs, behaviors, and experiences; we tried to track down a comprehensive list of successful stories from the Jordan River Foundation. The study population consisted of 27456 women worked with JRF, provided with financial and training support to open a new business or for development and enlargement, interviews with 100 women from different provinces in Jordan with the small business such as (needlework, Beauty salon, Hand Crafts, home cooking… etc.)

The study tool

As this study was qualitative and descriptive in nature, we conduct extensive interviews with open-ended questions, to investigate the reasons behind a woman's chance to prove themselves in the community especially in poor regions. The study Questions consisted of three parts as follows:

- part one: the questions were about the demographic characteristics (Age, Marital Status, Educational Level, Monthly Income/JD);

- part two: information about the business and Programs offered from JRF (the nature of the work, Sources of funding, types of programs carried out by the Foundation, feasibility study, pricing criteria, promotion and improvement ability , distribution limitations and availability);
- part three: questions for women about the relation between variables (the aim that women want to reach from opening this project, the impact of the project economically and socially, the value of the loan that she got, the social obstacles facing women, needed training programs).

The study model

Independent variables: marketing practices, social effects, and economic effects.
Dependent Variable: socioeconomic empowerment.
Figure 2 illustrates the components of each variable.

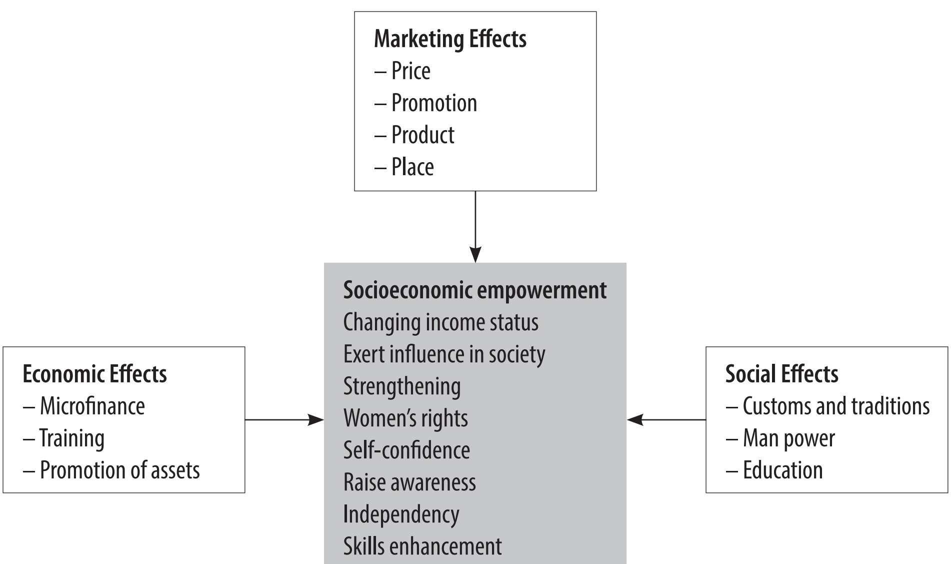

Figure 2. The women socioeconomic empowerment

Results

Part one: Table 1 illustrates the results derived from the interviews.

Table 1. Demographic characteristics of female entrepreneurs

Variables		%
Age	Below 25	8.0
	26-30	28.0
	31-35	28.0
	36-40	30.0
	41 and above	6.0
Marital Status	Married	64.3
	Unmarried	16.7
	Widow	12.0
	Separated	3.3
	Divorce	3.7
Educational Level	Illiterate	11.0
	Primary	23.0
	Secondary	75.0
	Bachelor	40.0
	Master	35.0
	Diploma	17.0
Monthly Income/JD	Below 400	42.0
	450-600	65.0
	601-800	33.0
	Above 801	12.0

As shown in the table(1), more than 64% of the sample are married and benefits from the foundation programs in order to enhance their living standards , to cope with the economic inflation, and more important to nurture their children's. 40 % with a bachelor degree

Part two:

- The nature of the work: Most of the work areas were in the production of domestic food, embroidery, agricultural work and work in the field of accessories.
- Sources of funding: Most women received financial loans from associations working with JRF, NGOs grants, loans do not exceed 500 JD.

- Types of programs carried out by the Foundation: Feasibility study, awareness-raising activities in public and private issues and the most important JRF was a key factor to attend men's parenting sessions, awareness and self-empowerment, children's summer and winter clubs, regarding marketing practices mostly, were about promoting the products in showrooms, galleries, and bazaars.
- The most important results that have been reached during this study that most of the ladies on the proposed sample left without marketing skills and capabilities necessary for the success and expand their enterprises and thus achieve an acceptable return. Table 2 illustrates the results derived from the interviews.

Table 2. Marketing results

Marketing practices	– Most of the women lack designing skills, which leads into essential creativity issues such as Packaging – No evidence of using customer's feedback in order to improve and develop the product. – Difficulties in pricing products compared to competitors with no evidence of using pricing strategies. – Distribution of the products is limited in certain areas; there is no access to new markets such as malls in spite of the product quality.

Part three:

The aim of opening this project, the economic and social impact, the value of the loan: the results illustrated in Table 3.

- The social obstacles facing women: Social factors such as women mobility or freedom of movement, freedom from violence, control over choosing a spouse, control over age at marriage, access to education, access to skills and information, inequalities in decision-making power within the household.
- Needed training programs: Most of the women agreed upon the need for marketing and social media training, self-awareness and self-confidence sessions, managerial and feasibility training programs.

Table 3. The social & economical results

Social effects	Economic effects
– Working from home gives them the chance to take care of their family members and nurture their children in a proper way. – Higher income because of women's work contributed to the improvement in social and educational status for family members. – The abundance of money encouraged some women to complete their secondary education as well as their higher education. – Social networks were improved, which leads to enhancing women self-confidence and self-esteem. – Improvements in the health status of the families.	– Receiving loans and attending workshops on small business management helps women to turn their business into a self-sufficient company that benefits both their families and the community around them. – Intense use of technology in order to improve the quality of their work, hence maximizing profitability – Better purchasing practices for raw materials and production equipment. – Work expansion contributed to providing employment opportunities for other women, hence reducing poverty levels in the same region.

Discussions

The literature on economic empowerment is vast, and a large part of this focuses on the economic empowerment of women – a key strategy for addressing gender inequality. More generally, the discourse on economic empowerment centers around four broad areas: A- the promotion of the assets of poor people; B- transformative forms of social protection; C- microfinance; and D- skills training (Eyben, 2008). Thus, the main findings of this study were as follows:

- There is a positive relation between empowerment and the marketing function, as it is considered a core organizational function, which is responsible for communicating the organization's services and products to its markets in order to generate customer request. The activities of this core function include promotion, advertising, developing and pricing (Slack et al., 2011).
- Empowerment of women means acquiring the power to think, acting freely, developing a sense of self-worth, a belief in one's ability to make desired changes and the right to control one's life, exercise choice, bargaining power, and fulfilling their potentiality as equal members of society. Generally, empowerment is any process and activity by which women control their lives.
- Women empowerment and economic development are closely related in many directions, economic development can play a major role in driving down inequality between men and women. The economic empowerment of women is being regarded these days as a sine qua none of the progress for a country; hence, the issue of economic empowerment of women is of paramount importance to political thinkers, social scientist, and reformers. Without women development, economic development will not take place. (Parmanandam & Packirisamy, 2014).

Therefore, empowering women effectively mean working on the development of any society, through increasing self-reliance and asserting their independence right to make choices and control resources. (Nikkhah et al., 2011).

Conclusion

As mentioned earlier the effects of microfinance on women financial independence were tested. However, it was determined that microfinance has a limited effect on women empowerment. (La Rocque, 2015, p.32), due to the fact that eastern man generally does not accept the idea of equality between the two genders. Consequently, the methodology was qualitative in nature by which the social characteristics and marketing practices considered one of the most important aspects of this study. So it's time to change this mentality that is why We believe if women get support in a proper way through training ,education, and flexible access to financial support women will be more self-confident and prove themselves in various aspects of life. Nevertheless, there is a noteworthy distinction in the level of social and financial strengthening than ever before, after the joining of NGOs among the respondents. It is clear that the NGOs affect the social and financial strengthening of women.

There are several small loan and microfinance programs that specifically encourage women's economic participation (Committee on the Elimination of Discrimination against Women, 2010). This is the first research of its kind linking marketing practices and the empowerment of women, as it is an add scientific value in the field in terms of clarifying social and economic dimensions that contribute to access empowerment. an important implication of this research is to follow-up and evaluates funded projects in order to achieve sustainability through enhanced training programs and seminars.

Recommendations and limitations

Firstly, handling any project requires extensive training in managerial and marketing fields, global competition requires women to be more creative and innovative in dealing with customers' satisfaction. Secondly, facilitate the procedures for obtaining financial support for the construction of projects to ensure the improvement of their financial situation, in particular, and moving the wheel of the Jordanian economy in general. Thirdly, essential work is needed to break down the social limitations and increase women's awareness about their role, in order to make a sustainable impact in the community, utilizing the power of social media.

Furthermore, we recommend other scholars to booked adequate time for interviews, as they need to meet different women from different areas in order to gain sufficient information needed to build a comprehensive research. Future research directions could be about skills enhancement and women empowerment, education and independence, the number of micro-funded projects in Jordan for different genders…etc.

The first limitation is related to the creation of our sample. We faced difficulties in obtaining sufficient information about the study sample. The second limitation was the qualitative nature of this study due to the lack of systematic data related to our study; moreover, conducting extensive personal interviews was a bit challenging due to difficulties to interview some of the women in private for religious and social reasons. Geographic factors some women found in remote areas difficult to access.

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An Exploratory Study Regarding the Moderating Role of Incivility Between Occupational Stress and Counterproductive Work Behavior

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Introduction

In the last decade, organizational researchers have examined counterproductive work behavior (CWB), defined as behaviors that harm or intends to harm organizations and their stakeholders, within the occupational stress framework. Other studies (e.g., Fox, Spector & Miles, 2001) were focused mainly on CWB as an emotion-based strain response to job stressors. The current one, aim to investigate the moderating effect of incivility on the relationship between occupational stress and counterproductive work behavior.

Jex and Beehr (1991) mentioned that a job stressor is represented by any situation that requires an adaptive response on the part of an employee. A job stressor can be anything an employee might interpret as being threatening to his or her psychological or physical well-being (Spector, 2002). Job stressors are events or environmental conditions, intense or frequent enough, demanding certain types of physiological and psychosocial reactions from the individual (Elliot & Eisdorfer, 1982).

Le Blanc, De Jonge and Schaufeli (2000) mentioned that stimuli having the potential to generate stress within an organization could be divided into four main categories: job content, working conditions, employment conditions and workplace social network. The first category compile work stressors such as monotony of work, complexity of work, increased responsibility, work overload or underload. In the working conditions, category one can find the following stressors: poor working conditions, toxic substances, lack of hygiene, and lack of protection. The third category, employment conditions list stressors such as working hours, low payment and job insecurity. In the last category, social network stressors the authors mentioned: poor management, low social support, and discrimination.

Jex and Beehr (1991) defined the employee responses to those stressors as being a job strain. Those responses can be psychological, physical, or behavioral in nature (Beehr, 1995; Jex, 2002; Jex & Beehr, 1991). According to Spector and Jex (1998), and Spector and Fox (2002) job stressors represent events that are interpreted by the employees as threats to well-being and result in negative emotional reactions, such as anger, anxiety or depression. The most known psychological strains are depression, anxiety, and dissatisfaction. In the area of physical reactions, one can find symptoms such as headaches, insomnia, cardiovascular or skeletomuscular illnesses. Behavioral responses include absenteeism, poor performance or poor job quality, and turnover.

Some of the most common psychological effects are burnout, boredom, fatigue, anxiety, frustration etc. Physiological effects include various pains, ulcers, hormonal imbalances, heart disease etc. Behavioral effects are usually: abuse of harmful or toxic substances (tobacco, alcohol, and drugs), accidents, family problems, or effects in the organizational area such as decreased work performance, absenteeism, accidents, and turnover.

Spector (1998) and Spector and Fox (2002) developed a job stress/emotion/CWB model that suggests CWB is an emotion-based response to stressors at work. Negative emotions, such as anger and anxiety, have been shown to mediate the relationship between CWB and job stressors (Fox et al., 2001). Lee (2003) examined the effect of conflict source (supervisor vs. coworker) on CWB target (organizational vs. personal). She found some support that negative emotions mediated the relationship between conflict with one's supervisor and organizational CWB.

Counterproductive work behavior (CWB) represents a set of volitional acts that can be aimed at the organization itself or people in the organization (e.g., supervisor, coworker, subordinates) and either harm or are carried out with the explicit intention to harm (Spector & Fox, 2005).

Counterproductive work behaviors include, among others: abusive behavior, physical and verbal aggression, poor performance, sabotage, theft, absenteeism, delays etc. Those behaviors are produced intentionally by employees and have a negative effect on the organization, employees or other stakeholders. The typology of these behaviors includes both behaviors oriented against organization and behaviors oriented against individuals. Behaviors that are oriented against organization can range from minor forms of counterproductive behavior such as excessive breaks, early departure or the slow pace of work, to serious forms such as sabotage or theft. At the same time, counterproductive behaviors aimed at employees can range from relatively minor ones such as gossip, favoritism to actions with more serious implications such as sexual harassment, abuse, and bullying.

Studies on the dimensionality of CWB have shown that it can be divided into five categories: abuse against others, sabotage, production deviance, theft, and withdrawal (Spector et al., 2006). Abuse against others represents harmful behaviors that can be psychological or physical in nature. Examples are making nasty comments about coworkers or undermining a coworker's ability to work effectively (Spector et al., 2006). Sabotage affects physical property belonging to the organization (i.e., defacing or destroying the physical workplace), whereas production deviance represents behaviors that destroy the work process (e.g., purposefully performing one's work incorrectly) (Spector et al., 2006). Moreover, production deviance is generally passive in nature, whereas sabotage is more active. Theft can be considered a form of aggression against the organization (Neuman & Baron, 1997) even though it usually results from economic need, injustice, or job dissatisfaction (Mustaine & Tewksbury, 2002). Withdrawal consists of behaviors that reduce the amount of time one works to less than what the organization requires (e.g., leaving early or taking longer breaks than allowed; Spector et al., 2006).

Bennett and Robinson (2001) mentioned three main trends in the analysis of predictors of counterproductive behavior, namely: deviance as a reaction to the employee experiences; deviance as a reflection of employees' personality; deviance as an adaptation to social context. In the first category, deviance as a reaction to the employee experiences, we meet research on theft, vandalism, aggression in response to frustration, lack of control or perception of injustice, unfairness, which apparently is one of the strongest predictors of counterproductive work behavior.

The second category, deviance as a reflection of employees' personality claims that different dimensions of personality might explain some of the variances of deviant behavior (Robinson & Greenberg, 1998). In the same direction, the research conducted by Shin, Ashton and Lee (2001) showed that certain personality dimensions predict various types of organizational deviance. Deviance oriented against the organization is thus associated with low conscientiousness and interpersonal deviance is associated with low levels of extraversion and agreeability.

Colbert, Mount, Witt, Harter and Barrick (2004) showed that emotional stability, conscientiousness and agreeability moderates the relationship between perceived work situation and counterproductive behaviors. Other research conducted by Douglas and Martinko (2001) showed that anger, attributional style, negative affectivity, and other personality factors explain a large proportion of the variance of work bullying.

The third category - deviance as an adaptation to the social context – is based on the assumption that by definition, organizational deviance involves violation of organizational norms, but it seems that peer pressure, specific norms and regulations actually supporting the deviance are essential for it to occur. A primary predictor of antisocial behavior at work is the degree of peers' involvement in similar behavior (Robinson & O'Leary-Kelly, 1998). Mikulay, Neuman, and Finkelstein (2001) showed that one factor that may be considered as a predictor of counterproductive behavior is represented by the lack of loyalty of employees to the organization.

In a study of abusive behavior in the workplace, Keashly, Trott, and MacLean (1994) found that all participants had experienced at least one incident of nonsexual, nonphysical abusive behavior. They have also reported that the supervisors, followed by peers and subordinates, represented the most common perpetrator. In addition, they have reported a higher degree of impact by abuse from supervisors than from coworkers (Keashly, Trott & MacLean, 2002). Similarly, in their study of employee aggression, Greenberg and Barling (1999) found that more than 70% of participants reported having psychologically aggressed at least once. Gossiping about or arguing with the target were the most frequent forms of psychological aggression.

Regarding the behavioral reactions to CWB, LeBlanc and Kelloway (2002) mentioned turnover and decrements in communication and performance. Work-related psychological reactions are job dissatisfaction, work-to-family conflict, family-to-work conflict, and decrements in normative commitment, and affective commitment (Tepper, 2000). The psychological reactions to CWB were studied by many researchers who found that CWB leads to feelings of depression and anxiety, emotional exhaustion, life dissatisfaction (Tepper, 2000), decrements in emotional well-being (LeBlanc & Kelloway, 2002; Schat & Kelloway, 2000).

Incivility at work is a relatively new concept of antisocial behavior introduced in organizational psychology studies, characterized by disrespect for others, rudeness, disrespect, boorishness etc. (Blau & Andersson, 2005; Johnson & Invik, 2001).

Incivility refers to relatively mild, insensitive, rude, or discourteous behavior toward others at work (Pearson, Andersson & Wegner, 2001). Incivility and interpersonal conflict involve perceptions of interpersonal mistreatment, but the perceived (benign, benevolent, or malevolent) intent of the instigator varies with each. For example, the underlying motive of incivility is ambiguous, whereas there is clear hostile intent with interpersonal conflict (Penney & Spector, 2005).

The literature described deviations at work as a continuum starting from incivility to aggression or violence (Vickers, 2006), incivility being defined as low-intensity deviance (Cortina, Magley, Williams & Langhout, 2001). Even if the impolite behavior was defined as low intensity, it should not be confused with a minor problem (Vickers, 2006). Impoliteness deserves serious attention because of its harmful effects on both individuals and organizations. Previous findings showed that organizational and individual performance, as well as employee productivity, health, labor attitudes and interpersonal relationships in the organizational environment, were negatively affected by the lack of civility in the workplace (Neuman & Baron, 1997; Pearson, Anderson & Wegner, 2001).

Anderson and Pearson (1999, p.457) define work incivility as "... low-intensity deviant behavior with ambiguous intent to harm the target, in violation of workplace norms for mutual respect". They also pointed out that witnessing incivility could encourage a kind of incivility spiral so that behavior increasingly rude might become a defining characteristic of organizational climate. Examples of incivility are speaking to someone in a demeaning manner; treating someone like a child; publicly undermining someone's credibility; excluding someone from a meeting; not greeting someone; and cutting someone off when they are speaking (Pearson, Andersson & Porath, 2000).

Hartman (1996) argues that every organization highlights certain norms of interpersonal respect and a shared understanding of morality and ways to behavior within the community. Any type of rude behavior violates these rules, transforming rudeness into a specific variety of workplace deviance, defined by Robinson and Bennett (1997, p.5) such as "a voluntary behavior that violates the organization's rules and by this threatening the organizational and individual well-being".

A more detailed account of the concept of incivility at work is encountered in the work of Lim, Cortina, and Magley (2008). They say that there are three important characteristics that differentiate incivility of other forms of mistreatment at work: violating the norms of respect, intensity, and ambiguity in the intent to harm. In conclusion, the lack of civility in the workplace can lead to impaired interpersonal relationships and can be a strong predictor for developing more severe forms of violence (Lim & Cortina, 2005).

Reactions to incivility include effects at the individual level, such as stress and decrements in psychological well-being and satisfaction (Lim & Cortina, 2005), and effects at the organizational level such as low performance, job dissatisfaction and intent to quit (Lim & Cortina, 2005). Participants in Pearson, Andersson, and Porath (2000) study of workplace incivility reported specific ways of coping with incivility, starting from committing intentional acts such as reducing efforts at work (25%) and reducing one's organizational commitment (33%), to intentionally avoiding the instigator (25%), whereas some others decreased the amount of time spent at work. Twelve percent of participants actually quit their jobs in response to uncivil acts. Furthermore, 5% of respondents stole property from the instigator as retaliation for unfair treatment, whereas another 5% stole property from the organization itself (Pearson et al., 2001). One has also to be aware that a work incivility target may also direct his aggression towards the organization. Penney

(2002) examined the relationship between incivility and CWB, using both selves- and peer-reports, discovering that both self- and peer-reports of incivility were related to self-report of CWB.

Methods

Given those previous empirical findings, it was expected that the relationship between occupational stress and CWB to be moderated by workplace incivility. Therefore, the following hypothesis was proposed:

Hypothesis 1: there will be a positive correlation between stress subscales and CWB

Hypothesis 2: there will be a positive correlation between CBW and incivility

Hypothesis 2: incivility will moderate the relation between stress and CWB.

The employee (self) survey included measures of job stress, incivility and counterproductive work behaviors (CWB). Participants were private sector employees, aged between 23 and 59 years (M = 34.43, SD = 8.53), 32 male and 33 female. They were invited to fill in a set of questionnaires compiling the following measures: Stress scales (Spector & Jex, 1998) which combine four subscales - ICAWS - Interpersonal Conflict at Work Scale; OCS - Organizational Constraints Scale; QWI - Quantitative Workload Inventory and PSI - Physical Symptoms Inventory; Counterproductive Work Behavior Checklist (Spector et al., 2006). The CWB scale contains five subscales: abuse, production deviance, sabotage, theft and withdrawal; and Uncivil Workplace Behavior Scale (Martin & Hine, 2005).

Interpersonal Conflict at Work Scale, ICAWS, is a four-item scale, who asks about how well the respondent gets along with others at work, specifically getting into arguments with others and how often others act nasty to the respondent. High scores represent frequent conflicts with others, with a possible range from 4 to 20. Internal consistency reliability was reported by Spector and Jex (1998) to average .74. *Organizational Constraints Scale*, OCS, was based on the work of Peters and O'Connor (1980) who listed 11 areas of constraints, e.g., faulty equipment, or incomplete information. Respondents are asked to indicate how often it is difficult or impossible to do his or her job because of each item. High scores represent high levels of constraints, with a possible range of scores from 11 to 55. *Quantitative Workload Inventory*, QWI, is a 5-item scale designed to assess the amount or quantity of work in a job, as opposed to qualitative workload, which is the difficulty of the work. Respondents are asked to indicate how often each statement occurs. High scores represent a high level of workload, with a possible range from 5 to 25. Spector and Jex (1998) reported an average internal consistency of .82. *Physical*

Symptoms Inventory, PSI, assess the physical, somatic health symptoms thought by stress researchers to be associated with psychological distress. Each is a condition/state about which a person would likely be aware, e.g., headache. Respondents are asked to indicate for each symptom if they did not have it, had it, or saw a doctor for it in the past 30 days.

Counterproductive work behavior was measured using the 32-item Counterproductive Work Behavior Checklist (CWB-C) (Spector et al., 2006), that produces 5 subscales of abuse (harmful and nasty behaviors that affect other people), production deviance (purposely doing the job incorrectly or allowing errors to occur), sabotage (destroying the physical environment), theft, and withdrawal (avoiding work through being absent or late). Respondents indicate how often they engage in specific behaviors on the job. Response options range from 1 (never) to 5 (every day), with high scores representing the higher incidence of CWB.

The Uncivil Workplace Behavior Questionnaire, UWBQ, (Martin & Hine, 2005) is a 17-item multidimensional instrument assessing four different facets of workplace incivility: gossiping, hostility, exclusionary behavior, and privacy invasion. Participants were asked to rate how often they experienced particular uncivil workplace behavior (from their supervisors or co-workers) on a 5-point Likert scale ranging from *Never* (1) to *Very Often* (5). Higher scores indicated experience of more frequent uncivil behaviors from supervisor or co-workers. Martin and Hine (2005) reported that coefficient alpha for the UWBQ was .92.

Results

Descriptive statistics for the measures are presented in Table 1 and the inter-correlations among the measures are displayed in Table 2 and 3. The distribution of scores on each of the measures appeared to be normal, with the exception of CWB total score, production deviance, sabotage, theft, withdrawal, organizational constraints and privacy invasion. For these three measures, the distribution of scores was positively skewed.

Table 1. Descriptive statistics for measures

	N	Mean	Std. Deviation
Interpersonal Conflict at Work	65	8.49	1.786
Organizational Constraints	65	19.85	5.922
Quantitative Workload	65	13.69	4.633
Physical Symptoms	65	5.52	3.593
Stress total score	65	11.8885	2.71247
Abuse	65	1.4496	.31145

	N	Mean	Std. Deviation
Production deviance	65	1.2821	.40065
Sabotage	65	1.0769	.17450
Theft	65	1.1108	.30214
Withdrawal	65	1.9269	.63542
CWB total score	65	42.6769	7.46472
Exclusionary behavior	65	2.0031	.50805
Gossiping	65	1.7923	.61646
Privacy invasion	65	1.3462	.45862
Hostility	65	1.7269	.47747
UWB total score	65	1.7171	.36088
Valid N (listwise)	65		

Significant correlations were found between stress (composite score) and CWB (r=.564, p<.01), and also between the majority of subscales of each measure. Therefore, support was found for the first hypothesis. On one hand, the CWB composite score is positively correlated with Organizational Constraints (r=.446, p<.01), Quantitative Workload (r=.355, p<.01) and Physical Symptoms (r=.417, p<.01), but not with Interpersonal Conflict at Work. On the other hand, the Stress composite score positively correlate with Abuse (r=.467, p<.01), Production deviance (r=.321, p<.01), Theft (r=.507, p<.01) and Withdrawal (r=.451, p<.01), but not with Sabotage.

Table 2. Correlation matrix between stress and CWB

		Abuse	Production deviance	Theft	Withdrawal	CWB total
Organizational Constraints	Pearson Correl.	.379**	.253*	.357**	.378**	.446**
	Sig. (2-tailed)	.002	.042	.003	.002	.000
Quantitative Workload	Pearson Correl.	.265*	.199	.427**	.291*	.355**
	Sig. (2-tailed)	.033	.112	.000	.019	.004
Physical Symptoms	Pearson Correl.	.299*	.189	.375**	.369**	.417**
	Sig. (2-tailed)	.016	.132	.002	.002	.001
Stress total	Pearson Correl.	.467**	.321**	.507**	.451**	.564**
	Sig. (2-tailed)	.000	.009	.000	.000	.000

Support was also found for the second hypothesis. Self-reported incivility was positively correlated with self-reported CWB (r=.395, p<.01). The sub-scales correlations were significant only for the relations between Incivility and Abuse (r=.466, p<.01) and for CWB composite score with Gossiping (r=.437, p<.01), and Hostility (r=.299, p<.05).

Table 3. Correlation matrix between Incivility and CWB

		Abuse	Sabotage	CWB total
Gossiping	Pearson Correl.	.569**	.272*	.437**
	Sig. (2-tailed)	.000	.028	.000
Hostility	Pearson Correl.	.404**	.240	.299*
	Sig. (2-tailed)	.001	.054	.015
UWB total	Pearson Correl.	.466**	.161	.395**
	Sig. (2-tailed)	.000	.201	.001

Finally, we have tested the hypothesis that predicted that incivility would moderate the relation between stress and CWB. The regression analyses (Table 4, 5 and 6) was conducted by entering the incivility and stress in the first step followed by the moderator, product term in the second step – stress X incivility. The outcome of the moderated regression for the relation between stress and CWB is significant, incivility being a strong moderator of the CWB outcome (ΔR^2=3566.215 F (3, 64) = 20.638, $p < 0.01$).

Table 4. ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1324.050	2	662.025	18.306	.000b
	Residual	2242.165	62	36.164		
	Total	3566.215	64			
2	Regression	1796.383	3	598.794	20.638	.000c
	Residual	1769.832	61	29.014		
	Total	3566.215	64			

a. Dependent Variable: CWB total

b. Predictors: (Constant), UWB total, stress total

c. Predictors: (Constant), UWB total, stress total, stress x UWB

Table 5. Regression model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.609a	.371	.351	6.01365
2	.710b	.504	.479	5.38643

a. Predictors: (Constant), UWB total, stress total;

b. (Constant), UWB total, stress total, stress x UWB

Table 6. Regression analysis – Beta coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	18.109	4.310		4.202	.000
	Stress total	1.344	.292	.488	4.604	.000
	UWB total	5.003	2.194	.242	2.280	.026
2	(Constant)	88.770	17.933		4.950	.000
	Stress total	-4.855	1.559	-1.764	-3.115	.003
	UWB total	-39.283	11.150	-1.899	-3.523	.001
	Stress x UWB	3.817	.946	3.581	4.035	.000

a. Dependent Variable: CWB total

Conclusions

One of the most consistent findings of presents research and mirrored by the previous empirical studies presented in the occupational stress literature is the positive relationship between experienced stressors and CWB. In the current study, all of the correlations between job stressors (Organizational Constraints, Quantitative Workload, and Physical Symptoms) and CWB were significant and positive.

Moreover, the correlation between Incivility and CWB was significant. However, the results using Incivility and CWB subscales were mixed. Incivility was not significantly related to Production deviance, Theft or Withdrawal subscales of CWB; although, CWB was significantly related to Gossiping and Hostility scales of Incivility.

The results of the current study are mirrored by those obtained by other studies, showing a clear link between occupational stressors and CWB, and provide further support for Spector's (1998) model of job stress and CWB. Moreover, they support the findings reported by Andersson and Pearson's (1999) about the incivility spiral and suggest that employees being targets of workplace incivility may increase the likelihood of engaging in CWB. The incivility spiral implies that being subjected to incivility could provoke an individual to engage in retaliatory acts, such as CWB.

It is clear that the relationship between incivility and CWB deserved further attention, being a process which can easily become a loop function - the CWB performed by one individual (especially in the interpersonal area) could be experienced by others as incivility or other job strain which may increase their propensity to engage in CWB.

Despite several shortcomings, such as relatively small sample size and self-reported measures, the present research brought to light some interesting findings. Workplace incivility, a variable that has only recently received attention in organizational research, showed a strong relationship with CWB as well as with occupational stress. In conclusion, experiencing workplace incivility in addition to other job stressors appears to increase the likelihood that an individual will engage in CWB.

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Questioning Engagement Literacy: Uses and Manifestations throughout Social Networking Sites

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Introduction

The notion of *engagement* has been a topic of debate for many types of research and scholars ever since the boom of social media, usually being used along with *dialogic communication* principles and processes that social media platforms appear to be offering. The negotiation process between organizations and their publics when engaging in online communities, focused on shaping intentions, rather than on building genuine dialogue, could be considered one of the most intriguing challenges for communication practitioners looking to leverage the potential of the widely spread two-way communication channels. The term "intriguing" is not used by accident, as the paper explains some of the limitations for the practice of online public relations and their organizational objectives (which need a focus and clear measurement for dialogic outcomes which, in return, can lead to building and maintaining relationships) that are doomed to failure, as genuine dialogic communication is almost impossible to evaluate in terms of metrics and *return of relationship investment*.

Dialogue is, in fact, the result of communication relationships and processes, thus, it should not be regarded as a series of steps to reach a specific end result (Kent, 2002). In this sense, "strategic communication might be more effective at achieving the interests of an organization than would a dialogic approach to the organization (Kent, 2002, p.24).

Although this research paper is focused on the use of specific dialogic strategies like *dialogic loop* and *generation of return visits* (Kent & Taylor, 1998) and their *dialogic outcomes* on Facebook profiles of organizations, it also brings into attention the persistence of *control* throughout communication practices on social networking sites. Most studies have been focused on identifying the usage of Kent and Taylor`s (1998) dialogic principles on websites and blogs (e.g. Taylor & Kent, 2001; Kent & Taylor, 2003; Seltzer & Mitrook, 2007), while few have been focusing on social networking sites and their potential.

Literature review

Characteristics and uses of engagement in the social media landscape

The concept of engagement is widely being used by scholars, especially when describing the online environment, with specific reference to the potential of building *online dialogic relationships between organizations and their publics* (Seltzer & Mitrook, 2007; Kent & Taylor, 1998; Kent & Taylor, 2003).

After academicians, Hon and J. Grunig (1999) first developed a guideline for measuring organization-public relationships, the implementation of relational cultivation strategies has been investigated through various online communication channels ever since (e.g. Kelleher & Miller, 2006). For example, blogs seem to be an effective channel in developing and maintaining relationships between organizations and publics emphasizing the relevance and extensive importance of relationships in public relations practice. However, the relational cultivation strategies that organizations use in order to build and maintain long-lasting relationships with their publics are beyond the scope of this article. Whereas research has been focusing on relational cultivation strategies and relationship outcomes throughout the online environment, the more mature role of online social networking sites, that of *building a dialogic relationship by engaging publics*, has not been the focus of many scholars, although the implications and potential of these sites have been argued throughout research literature (Kent & Taylor, 1998).

Social media is a space where individuals modify, share, create and discuss user-generated content (Kietzmann et al., p.241). The power shift from corporate communication (marketing and public relations) to individuals and communities which engage and share information about organizations and brands without their consent, illustrates the imperative for organizations to *participate in conversations* and stop ignoring them (Kietzmann, Hermkens, McCarthy & Silvestre, 2011, p.242). Mangold and Faulds (2009) stressed the importance of letting go of control, which is still a powerful dictator for communication practitioners looking to influence and shape discussions “in a manner that is consistent with the organization`s mission and performance goals” (Mangold & Faulds, 2009, p.361). They also proposed a series of integrated marketing communication guidelines to entail and develop engagement on social media platforms: creating communities of like-minded individuals, enabling consumers to provide *feedback*, creating contests, encouraging customers to share content, online gaming, offering relevant information and exclusive offers, and harnessing the emotional implications of sharing and sustaining causes.

The functional blocks of social media from the honeycomb model as developed by Kietzmann et al. (2011) suggest further implications for leveraging their potential by organizations looking to understand and capitalize on opportunities offered. As such, social networking sites have become a topic of interest for building, maintaining and developing relationships with their stakeholders and publics (Waters, Burnett, Lamm & Lucas, 2009; Obar, Zube & Lampe, 2012; Edman, 2010).

While relationship management theory focuses on building and managing organizational-public relationships around common interests and shared goals, developing a symmetrical model (Ledingham, 2003, p.192) for building mutually beneficial relationships on social media can be difficult to achieve. Engaging in dialogue does not necessarily imply moral behavior on behalf of the organizations, which must "willingly make dialogic commitments to publics" (Kent, 2002, p.24) in order to develop long-term, qualitative relationships with them. Commitment can imply resources of time and qualified people to respond and interact with active publics, but also real-time responses and consideration towards needs and interests. However, research demonstrates that even though relationship cultivation strategies such as *openness* and *transparency* are being used, getting people involved in decision making and organizational activities is not a priority for communication practitioners (Waters et al., 2009).

Used as tools for facilitating dialogue, social media could easily be capitalized, but there is still a gap between fostering their fullest potential and actual use. Rather than employing new media for strategically interacting with publics and getting information in for building and developing future communication strategies, public relations practitioners still seem to be diving into the waters of old one-way communication media (Grunig, 2009) and disseminate information without proper genuine, relevant interaction. As far as networking sites are concerned, their interactive, synchronous features provide the ideal landscape for organizations to engage dialogically with their publics. Even though Facebook is considered to be one of the most important new communication channels for public relations professionals looking to adopt social media (Wright & Hinson, 2011), Twitter also allows organizations to foster interactivity and engagement by using replies and hashtags, by re-tweeting messages, building information communities and sharing multimedia files (Lojevoy, Waters & Saxton, 2012).

On the other hand, engagement has also been related to brand value and equity, reflecting the audiences` perception, interpretation, and meaning of messages delivered

(Fill, 2002). In this sense, the use of the term *audience* is becoming irrelevant in the new media landscape, where users act as both consumers and producers of messages (Cunningham, 2010), creating, engaging and sharing content. This means that strategic communication efforts must be developed accordingly, around the *prosumers`* social network, shaping and influencing user`s perceptions, opinions, and behavior by maintaining dialogue across different new media platforms (Cunningham, 2010, p.112).

Dialogic potential of SNSs

For achieving online dialogue and, as a result, dialogic relations, Kent and Taylor (1998) established a framework of five dialogic principles that organizations should be using: *dialogic loop*, the *usefulness of information*, *generation of return visits*, *ease of interface* and *conservation of visitors*. The dialogic communication potential of social networking sites has been studied briefly, with a focus on these *dialogic principles* used for building online relationships in various contexts (Bortree & Seltzer, 2009, Waters, Canfield, Foster & Hardy, 2011, Lariscy & Sweetser, 2007).

One of the suggested pragmatic applications for creating and sustaining dialogue is building *mediated dialogic relationships* where "the public can actually engage other human beings in discussions about organizational issues" (Kent & Taylor, 2002, p.31). Although Grunig (2009) asserts the powerful implications of digital media for dialogic communication and relations, the advice of building *strategic management* processes for leveraging on these media does not apply to *developing and maintaining an actual dialogic relationship*, in the truest sense. Theunissen and Wan Noording (2011) rightfully and critically observed that research studies tend to focus on two-way communication, rather than on dialogue, stating that an organization can, at the most, create an environment for dialogic moments to manifest, but their specific outcomes are difficult to be measured in the managerial sense (Theunissen & Wan Noordin, 2011).

Moreover, dialogue can lead to unpredictable outcomes which can be too risky for organizations looking to control their communication channels. As far as communication strategy and planning processes are concerned, "a focus on achieving specific end results do not support the philosophy of dialogue" (Theunissen & Wan Noordin, 2011, p.12) which means that focusing on a specific objective and quantifiable outcomes could interfere with engaging in real dialogical communication, where participants are genuinely concerned, empathize, trust, care and listen to each other (Thomlinson, 2001).

Two-way symmetrical public relations should be focused on research, listening and dialogue when trying to cultivate relationships with publics (Grunig, 2009, p.2). For the purposes of this research, the notion of the *public* was used. Whereas the term stakeholder is used to define a "broad group of people with similar stakes in the organization, such as employees, customers or community members" (Grunig, 2009, p.14), the concept of a *general* and *global public* does not exist. Publics arise on their own and choose the organization when they recognize an issue and want to act upon it (Rawlins, 2006). In this sense, social media is an open interactive space of real-time information flow for publics which can engage at any time, whereas, from an organizational perspective, it can also support communication strategies which need to be addressed to segmented publics with similar interests and values and which can actively interact with organizations.

Another challenge for public relations practitioners is focusing on *participation*, rather than persuasion. Trying to create active publics from non-publics and passive publics can result in failure unless they start participating in conversations which are already developing in the online space (Grunig, 2009, p.5). Monological communicators that "persistently strive to impose their truth or program to others" (Johannesen, 1996, p.69) correspond to the traditional approach of public relations, of one-way dissemination of information, a functional view which focuses on the idea of achieving a desired end state, such as a public perception of an organization (Thomlinson, 2000). As public relations should imply developing and sustaining mutually beneficial relationships between the organization and its publics (Ledingham, 2000), "rationalizing" the communication practices (Thomlinson, 2000) can be leveraged by using social media two-way processes, specifically social networking sites, as a replacer of persuasive, traditional activities of the past. On a more pragmatic note, using a *human voice* for interacting and developing good relationships with the public online could be a practical solution (Park & Lee, 2011). This could imply online communicators responding to publics` questions or concerns with their names and using their avatars to represent themselves (Park & Lee, 2011, p.617).

"Chasing" online discussions about a brand, product, service or competitor is another effective strategy for keeping up with conversations and verifying the "assumptions about the community`s engagement needs" (Kietzmann et. al., p.250). For instance, Facebook has also recently adopted the *hashtag* feature, commonly used in Twitter posts, which makes it easier for organizations to follow and join discussions of their publics, although it has been suggested that this feature has been introduced for marketing and advertising-related purposes (Isaac, 2013).

Strategic communication professionals may be focused on building a social media community and creating a dialogic loop (by opening up channels for feedback), but relevancy and responsiveness are still important factors that could use improvement (Waters et. al, 2011). *Frequent updates* seem to be an effective way of getting people to return to the profile and the *feeling of belonging* to the community can also enhance content sharing by publics (Waters et al., 2011).

In terms of responsiveness and *feedback*, Cunningham (2010) asserts that "feedback is a form of dialogue and dialogue is the currency of new media strategic communication" (Cunningham, 2010, p. 112). However, feedback represents just one portion of full dialogic engagement and, therefore, dialogic communication should not be minimized to that single principle, of the dialogic (feedback) loop. On the other hand, feedback actually contributes to a sense of community where open communications are encouraged (Mangold & Faulds, 2009) with publics contributing opinions, interests or intakes that should be leveraged for future strategic communication strategies within the benefit of the organization and its publics. Providing publics a *voice in management decisions* and *facilitating dialogue* (which is not necessarily the same with creating dialogic communication) for these decisions to include their interests and needs (Grunig, 2009) could be a challenging premise for developing organization-publics relationships. In addition, after studying the implications and effects of website design and organizational responsiveness, Kent, Taylor and White (2003) found that organizational *responsiveness* can be influenced by the degree to which the organization is dependent on its publics to fulfill its mission (p. 72). This could have possible implications for the degree to which organizations actually manifest dialogic commitment, depending on their mission and goals.

Facebook presence is not enough for encouraging dialogic communication (Lariscy & Sweetser, 2007, p.191). Facebook users have the possibility of responding to other users and the organizations by submitting a reply to previous wall comments or even posting on the timeline (wall) or the discussion board if the profile administrators allow them to. In fact, the presence of these features could point to dialogic principles such as *generation of return visits* and *conservation of visitors*, as they both determine users to go back to the profiles and see whether someone has responded to their posts or comments (Lariscy & Sweetser, 2007). In fact, conversations between individuals should be supported and encouraged, especially because they are happening in the organization`s perimeter, where interfering and joining the conversation is not obtrusive.

Control in Social Media dialogic communication

Real-time responsiveness, public comments, clear objectives and loss of control represent some of the major challenges for public relations practitioners when trying to leverage on the potential of social media (Macnamara, 2010). Losing control, however, would mean ownership in the first place, which was never the case for organizations and their communication practitioners, who still seem to be under this *illusion of control* (Grunig, 2009). The information flow goes beyond what public relations practitioners can regulate (Grunig, 2009). Fallacious perspectives of these practitioners who are directing their corporate messages towards *audiences*, instead of *publics,* build their own *control walls* which block engagement that manifests through real and authentic understanding and embracing of the interests of publics (Grunig, 2009).

One-way communication practices had a powerful stance over communication practitioners who are still looking for ways to minimize the freedom of the online space by shaping and maneuvering discussions for reaching pre-designed purposes. Phillips and Young (2009) distinguish between different types of organizationally *controlled transparency* (which means releasing one-way information on the internet): *institutional transparency, overt transparency*, *covert transparency*, *unintentional transparency* (Phillips & Young, 2009, p.43). In this sense, *overt transparency* used to make information available on the internet, can be leveraged by online interactive channels such as social networking sites, where the speed of information flow exceeds traditional media. However, this is not enough. Relevant factors in developing transparency are a *reach* (by joining conversations throughout communities) and *richness* of content (Phillips & Young, 2009). Combined, they can lead to a chain effect of increasing engagement and amplify the symbiotic process: individuals will add to the richness in their own online communities and thereby add both richness and reach for the organization (Phillips & Young, 2009, p.56).

Organizations are no longer in control of conversations (Kietzmann et al., 2011, p.229). In fact, the organizational voice on social media should act as a *curator* of interactions and content, getting engaged in conversations at the right moment and time, depending on the topic. In this sense, public relations, as a management function, needs to let go of control and let some of the conversations happen.

Conversations represent one of the functional blocks of social media (Kietzmann et al., 2011) that needs to be properly understood before actually being used by organizations. Kietzmann et al. advise communication practitioners to become *curators* of social media content and conversations, engaging in dialogue only at the right time (Kietzmann et al., 2011, p.249). The term *curator* was previously used in research but in a different context. The *participator-curator model* was coined by Phillips and Brabham (2011) and redefines the notion of control because it concerns " the iterative construction of the organization in progress, dependent on an on-going negotiation of messages and meaning created by publics and strategically curated by a public relations practitioner" (Phillips & Brabham, 2011, p.683). This means that practitioners should be spending time in online communities, minimizing the distance between their organizations and the publics through intimate and rapid contacts with the brand (Phillips & Brabham, 2011).

Creating and posting social media policies and guidelines (Kietzmann et al., p.249) by and for organizational "watchdogs" could be another evidence of the management tendencies to control conversations and online behavior. Social media guidelines usually include behavioral norms of online conduct, being addressed either to internal publics or external ones (e.g. B&D Consulting, 2011). Additionally, deleting messages could be representative of communication practitioners` control manifestations (Waters et al., 2011, p.223), but this behavior can be risky for an open and transparent social online space, such as Facebook.

Research questions

The main purpose of this study is to examine whether organizations use *dialogic communication strategies to engage with their publics* and to identify the extent to which they are used in order to develop *significant dialogic outcomes*. According to the literature review, the dialogic potential of social networking sites should be fostered by organizations looking to develop dialogic communication and relations with their publics online. Further implications for using *control indicators* by organizations and their impact on dialogic outcomes are also discussed. Therefore, the research questions of this study are:

Research question 1: Do organizations use dialogic strategies (dialogic loop, generation of return visits, organizational engagement) on their Facebook profiles? If so, to which degree are these strategies used in order to develop dialogic communication online?

Research question 2: Do the strategies used correlate positively with high dialogic outcomes?

Research question 3: Do organizations use *control indicators* on their Facebook profiles? If so, could these control indicators influence the *dialogic outcomes*?

Methodology

Over 17,000 company pages on Facebook are in Romania, studies reflecting an increase of over 25% in their investment for social media activities overall (Matei, 2013). However, organizations still seem to be using social media for marketing related purposes (brand loyalty and brand interaction), sales and customer care (Gfk, 2012). As dialogue stimulation needs to be non-manipulative and persuasion-free, pragmatically speaking, the scopes of using social media are far for being public-centered, signaling a lack of genuine interest in conversations and discussions that individuals are engaging in.

For the purpose of this research paper, 50 profiles from the financial services sector were selected from Facebrands.ro, a site monitoring statistics from the Romanian Facebook landscape for brands. The profiles were selected in a decreasing sequence, starting with the profile with the highest number of fans. Their Facebook profiles were content analyzed in order to determine if and how the organizations use specific dialogic strategies and if their use has any direct impact on the overall dialogic results.

Content analysis has been previously used in studies which investigated dialogic strategies used by organizations on social networking sites (Bortree & Seltzer, 2009; Seltzer & Mitrook, 2007; Waters et al., 2011). Mainly, the content categories were developed based on Kent and Taylor`s framework (1998). However, the coding scheme was adapted from the research conducted by Bortree and Seltzer (2009). Their research demonstrated that dialogic outcomes such as *user response to others*, *network growth* and *organization response to users* seem to be significantly correlated with the following strategies: *conservation of members*, *generation of return visits* and *organization engagement* (Bortree & Seltzer, 2009, p.318). Therefore, this research will be focused on the following dialogic strategies: *dialogic loop, organization engagement,* and *generation of return visits*.

As each dialogic strategy entails different manifestations according to the features of the online channel, content categories were adapted for the social networking site which was investigated: Facebook. As a result, the dialogic feedback loop strategy was identified by the presence of the following items: the *organization`s responds to all comments*, *qualitative and relevant information in comments*, *personal email addresses* for inquiries and support and *usage of the human voice*. The *generation of return visits* included two items: *frequent posts updated on the wall* and *usage of polls or surveys*. The *generation of return visits* dialogic strategy leverages the process of identification between organizations and their publics as a means to determine publics to turn back when in need for guidance (Kent et al., 2003, p.73).

The organization engagement strategy was developed by Bortree and Seltzer (2009) and links to the presence of *organization`s comments on walls and discussion boards*. This study included one more item, focused on public participation in organization`s decision-making processes, referring to *frequent questions asked about products or service improvements and changes.* For measuring dialogic outcomes, *user and organization posts and comments* were accounted. More specifically, four dialogic outcomes were considered: *posts of users* (on the wall and on discussion boards), *network activity* (user posts in one week), *organization response* (comments in response to inquiries) and *network extensiveness* (number of fans).

In order to respond to the third research question, *control indicators* have been inserted into the coding scheme. The presence of *social media guidelines/policies* and *the organization`s intention to redirect the conversation with publics out of the open space* were measured using a dichotomous scale (e.g. yes/no). The presence of *formal policies* by a large number of organizations using social media (Creotivo, 2012) could suggest that companies are looking to diminish the risks in this public online environment and further control the uncontrollable social media landscape.

Results

R1: Do organizations use dialogic strategies (dialogic loop, generation of return visits, organizational engagement) on their Facebook profiles? If so, to which degree are these strategies used in order to develop dialogic communication online?

The sample used for this research contained various organizations from the financial industry: banks, financial consultancy services providers, insurance companies, broker organizations etc., as identified on Facebrands.ro, a Facebook monitoring tool of Facebook profiles that belong to organizations and public figures. In order to identify the extent to which dialogic strategies were being used by organizations in the financial sector on their Facebook profiles, a mean analysis of the dimensions corresponding to each strategy was conducted, presenting the degree to which it is actually being implemented in this online space.

The first research question sought to investigate the following three dialogic strategies: *dialogic loop*, *generation of return visits* and *organizational engagement*. Frequency counts were used in order to obtain detailed information on specific tactics incorporated into the strategy. The first dialogic strategy, *dialogic loop*, was operationalized by seeking the absence or presence of four manifestations: organization`s response to all comments, qualitative information offered by the organization to its publics, presence of personal email address on profile and the usage of the human voice when responding to inquiries or comments. As observed in Table 1, the *dialogic loop* strategy and the *generation of return visits* are barely being implemented. Only 2% of organizations from the financial sector seem to be effectively developing these strategies. On the other hand, more than half (60%) fail to incorporate dialogic loop strategies throughout their Facebook communication and 54% neglect the importance of creating return visits to their profiles. When detailing the usage of specific tactics which correspond to the dialogic strategies, data analysis shows that only 32% of organizations actually respond to all comments and inquiries on their profile and 26% provide qualitative and relevant information when doing so. Even though responsiveness does not seem to be one of the strengths of the organizational presence on Facebook, providing a personal email address for users could act as a solution for customer-related purposes. However, only 5 profiles out of 50 actually contain personal email addresses and only one organization uses the human voice when interacting with their publics.

As far as the *generation of return visits* strategy is concerned, polls and frequently updated posts were measured. Organizations fail to leverage Facebook`s opportunity of easily creating a poll (only 1 organization used this feature) and getting people to participate with their opinions, which could, in turn, determine them to revisit the profile. 46% of the sampled organizations are frequently updating their profile, proving a sort of commitment to their publics in doing so.

The *organization engagement* dialogic strategy registered the highest implementation level from the three which were investigated (16%), but the number still shows that the dialogic potential of Facebook is far from being harvested. 14 (28%) of the organizations commented on their wall (timeline), showing a slight increase for the discussion board section, where they seem to be more active (49%). Then again, none of the profiles from the financial sector asks the public questions regarding their products and/or services and ways of improving them.

R2: Do the dialogic communication strategies correlate with dialogic outcomes?

In order to identify possible relations between the use of dialogic strategies and dialogic outcomes, Spearman correlations were conducted between variables, assuming there is a monotonic relationship between the variables (when the value of one variable increases or decreases so does the value of the other variable). As a result, positive correlations between *network extensiveness* (number of fans) and the use of *organization engagement strategy* ($r=0.312$, $\rho=0.29$) was identified. The *generation of return* visits ($r=0.302$, $\rho=0.33$) also demonstrated a relationship with this outcome, whereas *dialogic loop* ($r=0.507$, $\rho=0.0$) seems to be insignificantly correlated.

More significant correlations appeared between the dialogic loop and the number of user posts on discussion walls ($r=0.311$, $\rho=0.28$) and the *network activity* outcome, as the number of user posts in one week ($r=0.411$, $\rho=0.03$), the latter being a strong and positive relationship as the scatterplot indicates.

Organization`s response to inquiries seems to be correlated with the following outcomes: *user posts on discussion boards* ($r=0.358$, $\rho=0.11$), and the *network extensiveness* (*r=0.393, ρ=0.05)* although previous correlation with the overall dialogic loop strategy does not show a significant relationship. Another variable corresponding to the dialogic loop strategy, the *qualitative and relevant information* given by organizations to their publics is also related to the user post outcome (*r=0.401, ρ=0.04).*

R3: Do organizations use control indicators on their Facebook profiles? If so, could these control indicators influence the dialogic outcomes?

Frequency analysis was conducted for observing the presence of control indicators on the Facebook profiles of the organizations. Data analysis indicates that organizations in the financial sector use control indicators to a very small degree. Only 11 (22%) profiles contained a social media policy, while the intention of redirecting the conversation to another channel of communication (such as email) happens very rarely (6%). On the other hand, there is a significant strong relationship between control indicators and the number of posts on discussion boards were identified (*r=0.381, ρ=0.006)*. The relationship between these could point to the actual necessity of implementing control indicators, as a decreased or increased number of posts could influence that. Furthermore, the relationship between the *network activity* outcome (*r=0.421, ρ=0.002), network extensiveness* (*r=0.383, ρ=0.006)* and the control indicators could also stand in favor of this possibility. Also, one of the dimensions corresponding to organizational engagement, organization`s comments on the wall seems to be showing a reciprocal relationship with the presence of control indicators (*r=0.352, ρ=0.01).*

Table 1. Frequency of dimensions corresponding to dialogic strategies

Dialogic strategies and dimensions	High value for implementation of dialogic strategy/ Presence of dimensions (Total n=50)
Organization engagement Organization comments on wall Organization comments on discussion board Organization asks questions for product/service improvement	8 (16%) 14 (28%) 24 (49%) 0 (100%)
Dialogic loop Organization response to all comments Relevant information in comments (by organization) Personal email address on profile Presence of human voice	1 (2%) 16 (32%) 13 (26%) 5 (10%) 1 (2%)
Generation of return visits Presence of polls and surveys Frequent updates	1 (2%) 1 (2%) 23 (46%)
Control indicators Presence of Social Media policy Redirection of negative discussions on profile	1 (2%) 11 (22%) 3 (6%)

Limitations of the research

The purpose of this study was to measure the extent to which dialogic strategies were used by organizations in the financial sector and what the implications of those strategies meant to dialogic outcomes. In order for this investigation to be relevant in further extending conclusive results for communication practitioners looking to improve their Facebook strategies for engaging in dialogic communication, a need for a larger sample and various industry sectors is compulsory.

Furthermore, this study did not investigate all the five dialogic principles developed by Kent and Taylor (1998), as in other studies (e. g. Waters et al., 2011). The focus was specifically on two dialogic strategies depicted from Kent and Taylor`s framework (1998) and one strategy from the research of Bortree and Seltzer (2009), who investigated the environmental advocacy groups. These dialogic strategies were: *dialogic loop*, *generation of return visits* and *organization engagement,* but further investigation on the *conservation of visitors*, *usefulness of information*, *ease of interface* should be conducted. Considering the dynamics of Facebook`s updates and improvements of features, the potential of dialogic communication functionalities should constantly be reviewed.

The research *per se* is limited, as it focuses only on quantitative data. As explained throughout the literature review, true dialogic communication can`t be measured this way, as no value can be attributed to genuine and authentic dialogue and its outcomes throughout a relationship between two parties. Whereas the need for measurement cannot be, however, neglected by pragmatic practitioners who seek to reach objectives and measure activities, perhaps scholars could focus on qualitative data of information, like conversations and *comments* content between organizations and their publics.

Discussion

While blogs seem to be incorporating dialogic principles at a high level, especially *conservation of visitors* and *ease of interface* (Seltzer & Mitrook, 2007), studies investigating employment of dialogic principles on social networking sites, such as Facebook, demonstrate a rather modest incorporation of dialogic strategies (Waters et al., 2011). For Waters et al. (2011), health centers are mostly using two dialogic principles: *providing useful information* and *conserving visitors,* while barely stimulating the *generation of return visits* principle.

The organizations from the finance sector in this study appear to be missing the opportunities Facebook provides in order to build dialogic relationships with their publics and facilitate open, useful and authentic dialogue. The imperative of using *dialogic loops*, feedback and *generation return visits* in order to "develop long-term, satisfying (dialogic) relationships with organizations" (Kent & Taylor, 2011, p.279) and the lack of this important strategy indicates the need for improving and developing communication programs able to deliver constant, relevant and dedicated support to publics. The lack of "dialogic capacity" (Kent & Taylor, 2011, p.279) could be one of the reasons that manifestations of dialogic strategies are this modest, but further research must be conducted in this sense. As the research also demonstrated, correlations between dialogic strategies and dialogic outcomes exist, indicating the impact which dialogic communication principles could be having on increasing interaction (in terms of user posts) and network extensiveness (in terms of fans and, as a result, reach). Organization`s response to inquiries/comments and the use of qualitative, relevant information when doing so could potentially increase the number of user posts and the number of fans, and usage of polls and surveys could also be used for integrating publics` needs and suggestions in the decision-making process for future organizational strategies and programs.

The study also analyzed the presence of *control indicators*, which was proven to be almost inexistent. However, their use could either increase or decrease *network extensiveness* and *network activity,* therefore organizations focused on building two-way dialogic relationships with their publics must be aware of the implications and potential effects.

Conclusion

Even though the dialogic communication potential of Facebook profiles can ease the way for organizations looking to build dialogic relationships with their publics, few financial service providers seem to be taking real steps in this direction. Three dialogic strategies for building dialogic communication and their outcomes were investigated, as well as the presence of control indicators and their potential impact. The research suggests that organizations from the financial sector miss the opportunity to capitalize on the potential of social networking sites in developing dialogic communication for building long-term relationships with their publics.

Even though research evinced that formal organizations "appear less likely to respond to input from their environment" (Kent & Taylor, 2001, p.280), the low extent to which they focus on dialogic communication is not justified, especially as trust and commitment usually emerge in this process (Kent & Taylor, 2001, p.279). Using communication channels symbolically, like Facebook does not necessarily imply and involve real engagement in dialogue, the intent being to "placate an individual through a voicing of their opinion" (Taylor & Kent, 2004, p.73). Thus, the opportunity of leaving a comment on the wall or discussion board does not fully provide the dialogic engagement experience, and, as such, the dialogic promise. In this sense, more in-depth research should be conducted on the role of social networking sites and its potential in leveraging real dialogic engagement between organizations and their publics.

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Emerging Trend: the Use of Mobile Technologies in Romanian Nonprofits

Steliana MORARU

Introduction

Mobile phones, smartphones, tablets, SMSs, applications, pictures, videos, and the near instantaneous ability to upload and share information on the Internet or within the personal online network are being integrated into the daily workflow of present-day nonprofits[1]. These powerful tools allow direct communication with the entire world, and the advantages of these devices have only started to be discovered by the nongovernmental organizations (NGOs) as innovative fundraising campaigns, support for the efforts to amplify and generate social change, in addition to increased ability to communicate directly with the stakeholders, donors, partners, and volunteers.

Research in the domain of the use of information and communication technology (ICTs), as well as mobile technology[2] within NGOs has typically focused upon the impact associated with major events and activities, for example the use of smartphones for natural disaster relief in the aftermath of the Haitian earthquake (Reiersgord, 2011; Yates & Paquette, 2011). There is, however, little research underscoring how the nonprofit sector integrates mobile technologies in their strategies, and which is the ultimate economic impact this has on budgets and funding. This article will focus on the way Romanian nonprofits make a strategic use of smartphones and tablets, in addition to how mobile applications (apps) allow NGOs to directly engage stakeholders and

1 Various terms are used to refer to the target audience, from NGO, community benefit organization (CBO), civil society organization (CSO), charity, nonprofit and social benefit organization (SBO). In this research, nonprofits and NGO are used as umbrella terms for the sector.

2 The mobile technology definition used for the purpose of this research is: all the means with cellular communication technology, including smartphones, mobile applications or apps (defined as software units available for download on smart phones with specific functions), and tablets (mobile computers that are typically operated by touch screen) (Boles, 2013).

influence the donation process, being the first research in the country to address these issues.

Today, many nonprofit organizations are seeking to go beyond simply using technology to strengthen operations; they are working toward transformational uses of these new tools and strategies to enhance their programmatic efforts and to achieve social outcomes (Pelstein, 2011, p.45). In this sector, technology has enabled organizations to change and to go beyond administrative efficiency (Hacklet & Saxton, 2007, p. 474). As McNutt and Boland (1999) pointed, technology has the ability to enhance the playing field for the organization of varying resource. Scheinder (2003) states that the nonprofits which lack the means to invest in technology (including financial and human resources) will fall even further behind in their quest to support and improve their programs. In what concerns the purpose of using technology, most of the nonprofits use ICTs to provide services to stakeholders (Hopkins, 2010). In addition, the successful usage of ICTs in the nonprofits enables the reconfiguration of their internal structure, as well as their relationships, both within the organization and outside the organization, helping them to improve their learning and knowledge management systems (Burt & Taylor, 2000).

Towards a mobile world, including nonprofits

Portio Research (2013) shows that 1.2 billion people worldwide were using mobile apps at the end of 2012, and the market is projected to reach 4.4 billion users by the end of 2017. On the same subject, a report from Cisco Systems, Inc. (2014) affirms that by 2018 there will be 4.8 billion unique mobile users, up from 4.1 billion in 2013. According to the same document, by 2018, there are projected to be over 10 billion connected devices, 8 billion of which will be personal mobile devices, and smartphones, laptops, and tablets will generate 94% of all mobile data by 2018.

These numbers have the potential to dramatically impact the nonprofit sector. Like their business counterparts, these technological transformations can readily be translated into increased efficiency, greater impact upon the community, fundraising prowess, effective budget management, and eliminating or at least mitigating development barriers. In the report Technology for Good: Innovative Use of Technology by Charities, authored by TechSoup Global and The Guardian, 10 primary domains have been identified in which technology can have a major impact in this sector. Many of them are related to the mobile technology and derivate tools, such as *mapping technology*, *social media and crowdsourcing*, *data management technologies*, *cloud technology*, or *portable networks.* Other studies made across the United States show that the most frequent used technologies among nonprofits are websites, e-mail systems, and databases, and only 35 % of the nonprofits use mobile technologies (Boles, 2013, p. 71).

Using mobile technologies, NGOs are afforded the possibility of maintaining close relationships with individuals who support their cause and find innovative solutions to deliver their mission. In the *State of the Nonprofit Industry* (2012; 1500 respondents from nine countries: Australia, Canada, France, Germany, Italy, Netherlands, New Zeeland, Great Britain and the United States), two-thirds of French nonprofits planned to implement at least one mobile strategy in their fundraising efforts in 2013, and the majority of the UK organizations planned to use SMS/text giving as part of their fundraising strategies. The same study indicates that by the end of 2013, two-thirds of organizations will have mobile-optimized websites, and over one-third of organizations plan to use at least one mobile application in their fundraising strategies.

Hacklet and Saxton (2007) have identified six key strategic organizational competencies related with the ITC field for the nonprofits: IT planning; IT budgeting, staffing, and training; Internet and website capabilities and use; the measurement of IT effectiveness; board support and involvement in IT decision-making; and leaders' understanding of the strategic potential of information technology.

Not only how technology is used within nonprofits is important for our study, but also it is relevant to have a look at the stakeholders' behavior, especially the donors, in what concerns the use of technology. As mentioned earlier, important events affecting large communities, such as hurricanes, conflicts etc. have been triggers for a change in the donor behavior. Researchers state that starting from 1999, the Internet fundraising has a major milestone. At that moment, Kosovo crisis and Hurricane Mitch spurred a massive increase in online giving, followed by 9/11 events, when online giving reached the hundreds of millions (Bhagat, Loeb & Rovner, 2010).

In the light of the mobile devices rise, it can be observed a change in the way donors interact with nonprofits. For example, the study conducted by Bhagat, Loeb and Rovner (2010), shows that 77% of the respondents heard something about mobile giving options for Haiti relief, 9% actually donated and another 22% say they considered it. The results showed that 41 mils. USD have been raised through the SMS campaign. Another situation refers to the fact that individuals can donate money to UNICEF by texting *FOOD* or give money to the International Rescue Committee by texting *AFRICA* (Linskey, 2011). In the survey conducted by Coda Research Consultancy, 40% of the respondents mentioned they had texted a gift after the 2011 Japanese tsunami and earthquake, 27% did so after the 2010 British Petroleum oil leak in the Gulf, and 18% gave a mobile gift to help those harmed by U.S. tornadoes in 2011 (Smith, 2012). A 2012 Pewinternet research asserts that over 50% of all donors already use mobile devices to access NGOs websites and to check their emails, while nearly 40% use a mobile device to make donations.

The facts above allow us to take into consideration the means technology brings both the NGO and the donor closer: donating via SMS, via an app, through special mobile devices etc. are all instruments a nonprofit can use in its fundraising strategy. From this point of view, special attention should also be given to the mobile applications. Portio Research (March 2013) forecasted that 82 billion apps will be downloaded worldwide in 2013, and by 2017 there will be more than 200 billion downloads per year. Mobile apps can be used as both endorsement mechanisms for NGOs' causes, and as a tool for fundraising.

An example of good practice in what concerns the mobile apps are the mobile applications that allow NGOs to enhance fundraising indirectly. Apps developed in order to manage donor databases, such as Blackbaud's *The Raiser's Edge* and *SofterWare's Donor Perfect* help fundraisers make updates regarding former pledges, to update contact information, and to siphon and sort demographic data. Other tools, such as FrontLine, a free, open source system[3], and one of the first platforms to help harness the power of mobile technology for social change, allows NGOs and not only to distribute and collect information via text messages, opening the door for increasing their capacity in what concerns the professional use of SMS to engage stakeholders.

Furthermore, there are numerous applications allowing for direct payments to NGOs for live events and donations. These applications have payment technologies available, such as point of sale (POS) that can be installed on mobile devices and work as a scanner for credit cards. Also, money transfers through SMS have gained success and developed in new directions of raising money. Vodafone launched in 2007 for Safaricom, Kenya's leading mobile phone operator, M-Pesa (m for "mobile" and pesa, the Swahili word for "money"), a program regarding banking services through mobile technology and microfinancing service, without needing a banking infrastructure. Starting from Kenya, the services expanded to Afghanistan, South Africa, India and Eastern Europe, Romania included.

In what concerns the impact of mobile technology for the NGO employees, a research conducted by the United Nations and the Vodafone Foundation, reveals that 86% of NGO employees use mobile technology in their work. NGO representatives working on projects in Africa or Asia are more likely to be mobile technology users than their colleagues in areas with more wired infrastructures. Moreover, nearly a quarter

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[3] Open-source software (OSS) is computer software with its source code made available and licensed with a license in which the copyright holder provides the rights to study, change and distribute the software to anyone and for any purpose.

describes this technology as *revolutionary*, while another 31% say it would be difficult to do their jobs without it. This finding is supported by Hopkins (2012), who identified the perceived value of smartphones in the workplace after adoption takes place. He found that 87% of respondents identified with being able to send and receive emails at any time and place as the most valuable smartphone service. At a much smaller but still significant rate, 30% of respondents found mobile Internet access valuable for business related purposes (Hopkins, 2012, p.71).

Romanian nonprofits mobile landscape

In what concerns the mobile technologies usage in Romania, a study conducted by Ipsos Group and Google (2013) in 84 countries across the world, revealed Romanians behavior when it comes to these types of devices. The study shows that 28% of the respondents own a smartphone, and 90% of the ones with Internet access use this option daily. 71% of them access their mobile apps daily, and, on average, the Romanian user has 17 apps installed, 2 being paid apps. The study also points out that 95% see advertisements on their mobile devices, offering this type of equipment a greater efficiency (opportunity to see) than in other environments. Additionally, a research conducted by EuroGSM group asserts that 80% of Romanian mobile users are Android based devices.

Looking at the mobile for social good, in the last two years, have been several initiatives encouraging the use of apps to support Romanian nonprofits. Local and international companies, especially from the ITandC and telecommunication fields, had called for apps ideas or developed in the house such tools. For example, the Romanian IT company ITNT[4] launched in 2013 two social IT applications, an email application for vision deficiency persons, and an audio guide for museums. 12 students under the supervision of the companies' specialists built the apps during program training, ITNT Bootcamp. The email application, called *Echoes*, allows the users to receive and to send emails from/ to their mobile phone, using only gestures. The audio guide, called *Mooseum*, available in several languages, allows visitors to use it directly from their mobile phones.

Mobile for Good, an international initiative of Vodafone Foundation had an echo in the Romanian landscape as well. Launched in 2012, this is one of the most important programs in Romanian tackling the way mobile technology can enhance the disadvantaged

[4] ITNT is one the most successful IT entrepreneurial initiatives in Romania, being specialized in web, mobile, server side, desktop, marketing, sales, support, editorials development and having an international impact. One of their most successful project, Soft32, is one of the most renowned software platform in the world, hosting over 100 000 Windows, Mac and Mobile applications.

persons to have a better life. The initial investment for this program was 500,000 Euros from Vodafone Foundation, benefiting at the same time from the Vodafone network and the associated services. The first projects were developed for persons with diabetes, elderly who needed home care services and sportsmen with intellectual disabilities. For example, elderly persons have the possibility to benefit from home tele-assistance. A project developed by Caritas Alba Iulia Association together with Vodafone Foundation offers special mobile phones, with panic buttons and bigger keys. When the button is pushed, a call goes to a server, allowing the nurses to get alerted. The information provided to the hospital personnel helps them to know where to go and what they need to do for those persons. In 2013, 600,000 Euro more were invested, growing in this way the number of beneficiaries. Moreover, three new projects have been released: a 4G telemedicine solution for the new intensive therapy section for newborn from Marie Curie hospital in Bucharest, a pediatric call-center in Cluj county and video telemedicine equipment for the SMURD[5] ambulances in all over Romania.

Orange Foundation has a grant program, called the *World through sound and color*, which aims to find innovative solutions for vision and hearing deficiency persons. In 2014 took place the second edition, and 9 projects were selected to benefit from the grant, having and the total value of 357,724 Euro. Among the proposals, there were ideas involving mobile technology. *Elephant step* is a project proposed by Urban Development Association. It aims to equip a special school for vision deficiency persons with 10 tablets and software that can transform schemes, graphics, and formulas in audio documents. MediaPro Foundation for Education and Development aims to develop with the help of the grant an application that can audio convert a series of news from several websites from their company's portfolio, allowing the vision deficiency persons to gain more independence in their access to information.

Related with using the mobile technology in order to fundraise, the Romanian nonprofits can benefit from an American initiative. Vouchery, an American based company, with over 20 years of experience in cause marketing, has launched *Vouch!*. This mobile app allows the user to choose a local charity (in this case, a Romanian nonprofit already listed in the app), or an international one (there are over 900,000 causes displayed). After the app has been installed, all that the user has to do is to click the option Vouch, which is an action similar to the Check-in one. For every Vouch, the user receives a certain number of virtual cherries. When the user collects 10,000 cherries, he can monetize them into a donation for their cause.

[5] SMURD is an emergency rescue service based in Romania. The name is the Romanian acronym for "Serviciul Mobil de Urgenţă, Reanimare şi Descarcerare", which means Mobile Emergency Service for Resuscitation and Extrication.

In what concerns the SMS campaigns, according to ww.donatie.ro[6], Romanians send annually 280,000 SMS to support humanitarian causes, meaning more than 550,000 Euro for projects coordinated by local nonprofits. Between June 2012 and July 2013, 23 nonprofits developed 25 campaigns using the platform. Local telecommunication players, such as Vodafone, Cosmote, and Orange joined the program, allowing NGOs to raise more money for their projects. The value of an SMS is 2 euros, and the donations went mostly to rehabilitation and equipment for hospitals (216,712 Euro), human rights and children education (193,590 Euro), hospice and health services (185,308 Euro), as well as individual causes (18,962 Euro). Additionally, the platform offers the direct debit option for fundraising.

In 2012, TechSoup Romania, together with TechSoup Global, conducted a survey regarding the use of cloud computing[7] in the nongovernmental organization in Romania (250 local respondents, the results were integrated with an international survey[8] on the same topic). Asked about what cloud-based services they use in their daily activity, the respondents mentioned as primary tools email (83%), social media (69%), and web conferencing (45%). In what concerns the mobile, SMS (cloud based) is used by 12% and phone services by 10% (Figure 1).

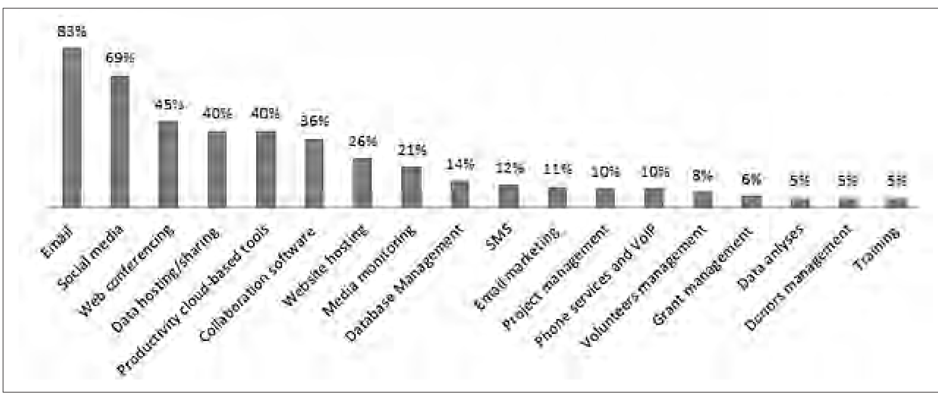

Figure 1. Cloud-based services used by Romanian nonprofits

6 Donatie.ro is a web-based platform developed by Community Relation Association during the program Easy Giving Mechanism. This offers customized Client Relationship Management software that allows the use of two types of fundraising tools for the NGOs: donations through mobile phones – one-time donation of small amounts in response to a fundraising event or emergency; and Direct Debit donations – for recurring donations, based on a long term contractual commitment to a cause.

7 The definition of cloud computing used in this research is that cloud computing allows persons to access software via the Internet instead of from your hard drive or your local computer network. Cloud-based software is available anywhere through the Internet, not being limited to a certain space or place (e.g. the office).

8 Over 10,500 respondents from 88 countries from Africa, the Americas, Asia Pacific, Europe, and the Middle East took the international survey regarding the use of cloud computing in the nonprofit sector.

The main challenges faced in terms of ICT were inadequate IT system (41%), insufficient training for IT staff (26%), and integrating data from different systems (25%). Romanian respondents cited email (37%), client/CRM database (23%) and volunteer management (18%) among the cloud-based services they plan to start using in their daily activity.

Having these facts in mind, it can be observed that mobile technology is a key factor in what concerns the organizational development of the NGOs, their fundraising strategy and their relationship with the donor. Moreover, nonprofits are confronted now with the possibility to unlock the real potential of mobile technologies. Integration of their work together with the use of mobile offers them a new path for growth, innovation and joining the technological changes their stakeholders have embraced. Confronted with these tools, organizations can build towards smarter working space, increased efficiency, new types of collaboration, stakeholder engagement, receive and give more information about their activities, measure their impact and their performances, as well as tackling new opportunities for fundraising. As seen above, there has been a continuous interest in the topic across different countries, especially in Africa, the United States of America and Western Europe. Incorporating the mobile technology in their daily activities and delivering a mobile experience, finding supporters across the country and even from abroad, building their own applications, and including mobile technology in their fundraising strategies are emerging trends in these regions. The global trend is going mobile when it comes to nonprofits, and it's not limited only to the organization. The current research was conducted having these trends in mind and the purpose was to map a picture about these shifts towards tech for social change in the country, as per date there were few studies regarding the Romanian landscape.

Research methodology

The current research, conducted in June-July 2014, aims to give a better understating of the mobile technology use in Romanian nonprofits, and future plans regarding the integration of technology in their activities. By looking at the current situation, as well as identifying trends and concrete examples of technology use in nonprofits, the first intention of the author is to shed light on how the Romanian nonprofits can harness the potential of mobile technologies. The value of this research will be beneficial both for the nonprofit sector, as well for the ICTs companies which aim to develop new programs for the sector, showcasing different trend and patterns in the local nonprofits.

The research questions are:

Q1. What are the main activities in which Romanian nonprofits use mobile technology?

Q2. How do Romanian nonprofits use mobile technology to engage with their stakeholders, including fundraising?

Q3. How do Romanian nonprofits perceive the impact of using mobile technologies in their activities?

The research was conducted online, through a self-administered questionnaire made available using Google forms, during 15th of June and 10th of July 2014. The questionnaire included 36 items, identification questions, closed questions, multiple answer items, items with one answer and Likert scale items. The author, for the purpose of this research, developed the questionnaire. The questionnaire was sent to over 250 persons, nonprofits representatives. The results of the research are based on 106 responses gathered in the period mentioned, from the representatives who answered the online form.

Questions 1-10 target general information about the organization: activity, localization, team members, budget, general view about technology and local ICT infrastructure (devices and Internet access). The next questions focus on the current research topics. Questions 19-23 tackle the subject regarding how nonprofits use mobile technologies inside their organizations (correlated with research question 1). These items refer to the use of mobile technologies in general in the nonprofit, the trend of Bring your own device, applications used by the respondents in his work activities, applications used in general in the organization. The next couple of questions (24-27) is correlated with research question number 2. The respondents had to answer if their nonprofit has built its own application, what's the purpose of it, if they ran SMS campaigns and what was their purpose. Questions 28 to 36 tackle the way respondents perceive the value and impact of mobile technology for their organizations, being correlated with research questions number 3. This last set of items includes the evaluation of the return on investment regarding mobile technologies, difficulties in accessing and implementing mobile technologies, and the impact correlated with specific activities (time management, budget economies, efficiency, communication and interaction with their stakeholders).

Results

Regarding the main activity of the organization, the focus is on education and activities related to it (Figure 1). The majority of the respondents are from Bucharest (59%), followed by Cluj (3%) and Bacau (3%), other answers referring to various cities across the country. Most of the respondents have only one branch (83%), followed by 13% which have 1 to 5 branches, 3% between 6-10 and 2% more than 15 branches. In what concerns the employment, 36% have 1 to 5 employees, followed by 34% who do not have any employee. 13% of the respondents have more than 20 employees. In addition, 29% of the organizations have more than 20 volunteers, followed by 26% that have 1 to 5 volunteers and 24 % who have 6 to 10 volunteers.

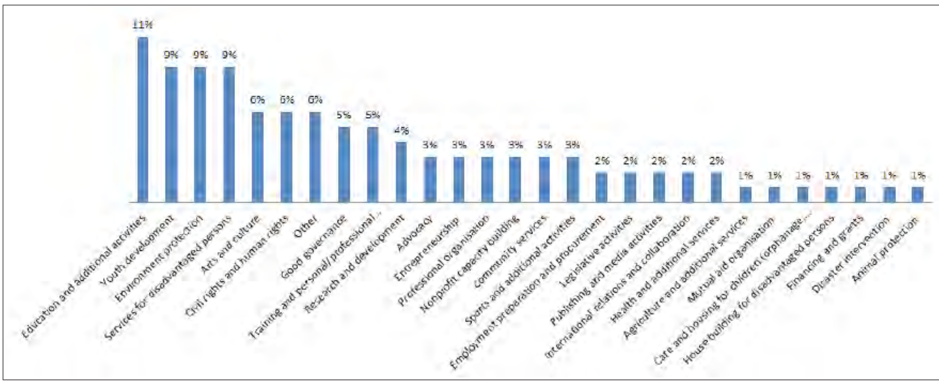

Figure 2. The main nonprofit activities mentioned in the survey

The top three biggest sums mentioned as annual budget are 5,000,000 Euro, followed by a budget of 3,000,000 Euro and 2,000,000 Euro. There was one NGO that mentioned 0 Euro, and the medium budget mentioned was more than 160,000 Euro. In what concerns the official position in the organization, 24% of the respondents were Executive Directors, followed by 12% project managers (Figure 3).

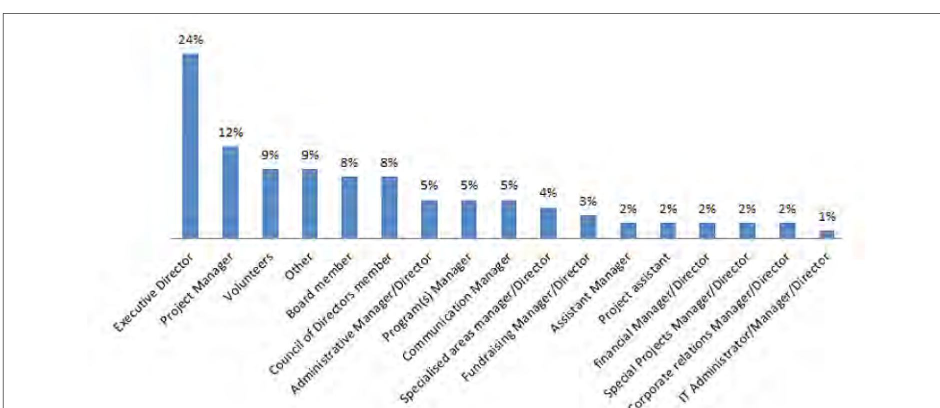

Figure 3. The position of the respondents in their organizations

92% of the respondents use ICTs in their work, seen as the use of hardware devices and software, smartphone use and/or other portable devices (including the intention of buying this kind of devices), plans to employ qualified personnel and to train the current employees.

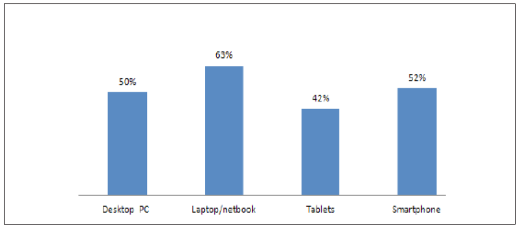

Figure 4. The percentage of respondents who own 1-5 devices from each category mentioned in the survey (desktop PC, laptop/net book, tablets, and smartphone)

As we observe from Figure 4, there is a shift towards the use of mobile devices, the focus still being on laptops, followed by smartphones. Looking at the ownership of these types of devices from big size NGOs[9] (12%), there are more desktops, laptops, and smartphones within the organization and in small size NGOs[10] (70%), there are more laptops, smartphones and tablets. Besides that, the trend *Bring your own device* has emerged among Romanian nonprofits as well, 42% of the respondents encouraging their team to use their own equipment, many of them being from small organizations. Reasons for the spike of this trend are numerous, including savings for the organizational budget, increased connectivity, more productivity and time flexibility. On the other side, nonprofits need to take into account the implications regarding data security, disaster recovery, and specific IT policies in what concerns the work on the personal devices.

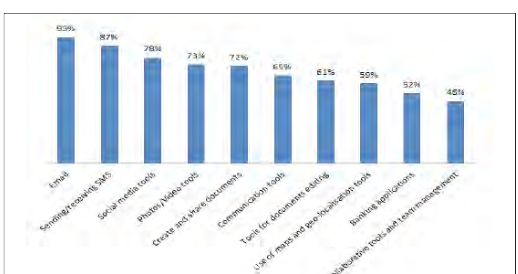

Figure 5. The main activities involving mobile technologies, as used in the work routing by the respondents

[9] Big NGO is going to be considered a nonprofit having more than 10 employees, more than 10 volunteers, with more than five branches and a budget over 100,000 Euro.

[10] Small NGO is going to be considered a nonprofit having 0 or less than 5 employees, o or less than 5 volunteers, with one branch and a budget under 50,000 Euro.

Many of the respondents use the main functions of mobile devices, from email to social media applications, as it can be seen in Figure 4. Regardless, there is a number of respondents who add a series of other activities in which mobile technologies play an important role for them. These are: programming and design, eLearning, applications for their beneficiaries (for children with autism), applications to gather physical and chemical parameters regarding the environment, applications for graphic design, applications for media live and on-demand, screen sharing for training, workshops, and video production, applications for web audiences monitoring, applications to create presentations CAD applications, fax applications, database management, remote control for desktop, event management applications. These additional responses show us that a new trend is emerging, which surpasses the administrative functions of mobile technology, and goes to the strategic use of it, fitting their specific mission and activities, and bridging the gap between the current and the maximum potential of ICT in their organization.

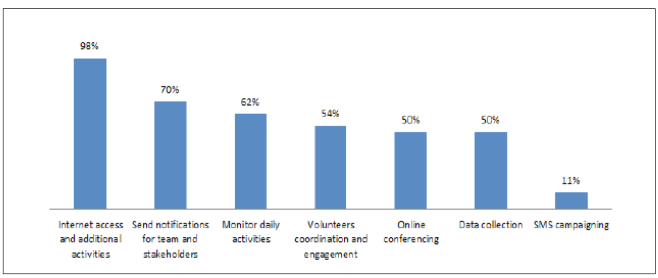

Figure 6. The main activities using mobile technology involving the organization and its stakeholders

Concerning the use of mobile technology as a point of reference for engaging with stakeholders, many of the respondents use the Internet and its additional features, an important role playing coordination and monitoring activities, as well as communication. Findings reveal that, besides the activities mentioned in Figure 6, the respondents use mobile technologies for the following purposes: design (with pressure sensitive accessories), desktop publishing (for drafts and schemes), meetings management, web design and content creation, as well as fundraising. We find it important to mention that one person mentioned that the organization does not use any of the mobile technology tools in its activity, as well as one person who mentioned that the activity has shifted from working on laptops to working solely on tablets. These findings help us to better understand the current capabilities of the NGOs, as they foster a new set of practices. Interestingly, it is more likely for small and medium NGOs to invest in these types of tools rather than the big organizations.

Asked if they build their own mobile app, 9% mentioned they do have a mobile application built for the use and/or promotion of the NGO. Nevertheless, 45% said they do not have an app, but they intend to have one in the next three years, while 36% do not have an application and they do not intend to build one in the next three years. When detailing their own application, the nonprofits mentioned the following:

Table 1. Information about mobile application developed by the respondents

Name of the organization	Activity Domain	Name of the application	Description of the application
Adept Foundation	Community promotion	Discover Tarnava Mare*	A touristic mini guide, allowing the users to visit and plan, overall, a walk through Târnava Mare, Transylvania. * *Besides this application, the organization mentions they have an application for time management, project timesheets, and daily activities.*
Carpathian Transylvanian Society	Environment	Geographic information system (GIS) of the protected areas	(development in progress) The application will offer information about the protected areas managed by the organization. It will offer ecological education and ecotourism information, a virtual path paved with QR (quick response) codes.
Ecoteca Association	Environment	Waste reporting	The application has the role to inform and educate about the selective waste collection.
Legal Resources Centre, EPAS Association, and Eruption anti-corruption Movement	Civil rights, Legislative activities	InfoCorruption	Allows the user to report in an anonymous manner and to take notice regarding the corruption situations he encounters himself and/or situation in which he did not have to bribe, to be informed about anticorruption events across the country and to join the online community of the project.
MaiMultVerde Association	Environment	First aid lesson	Was developed together with SMURD and ING Life Assurance in order to offer a prevention and education program to the most frequent emergency situations for persons without a prior medical training
Pro-Romanian Diaspora Association	Community promotion	Access to forum and support Pro-Romanian Diaspora	Offers accessible information for the members of its community.
React Association	Health and additional services	Controlling	Helps their diabetic beneficiaries, offering glycaemia monitoring through a telemedicine system, showing data regarding the patient health evolution and real-time information, sending alerts when there is a change in the information, as well as offers training regarding a healthy lifestyle
Reper21 Association	Social responsibility	Societal	Was built in order to promote the homonymous project and the principles of social responsibility, based on the triple bottom line (environment, economy, and society).
Romania on bicycle	Sports and additional activities	Romania on bicycle	Offers information about cycling roads in Romania. The application allows the user the view a map with the roads and details about them, the type of recommended bicycle, and other needed data for this type of activity, has a voyage data recorder and an alarm system alerting the user when he has lost the track.

Additionally, *www.donatie.ro* was mentioned among online tools used by the Romanian nonprofits.

These results reveal that the apps developed by each organization are in strong connection with their mission and they are used as promotional tools for the organization. Most of these apps can be found in Google Play Store, and not in other app stores, and they are free to install. As seen above, 80% of the market share is using Android system, allowing these nonprofits to target the mass of the population using the system developed by Google. Still, the evidence shows us a slow adoption of this practice and none of the above applications are used for fundraising purposes.

When it comes to the use of the SMS, 49% of the nonprofits said they did not have such a campaign and they do not intend to implement one in next 1 to 3 years. 12% said they did have an SMS campaign, while 35% said they did not have one, but they do intend to develop a strategy in this direction for the next 1 to 3 years.

In what concerns the type of campaigns the nonprofits did their responses show the following activities: volunteers' mobilization and coordination, campaign for 2% donation[11], fundraising activities, promotion of the organization mission, information. The specific examples the nonprofits gave are: *Știri la zi (Daily news)* – daily campaign implemented in order to send relevant information about the main areas of interest for the organization's beneficiaries), SMS alert campaign for the farmers in order to inform them about real time changes in what concerns the National Plan for Rural Development, *Bistrița mea, secretul meu!* – online votes raising campaign developed in order to obtain the community support for a nonprofit financing competition (twice), campaign to promote the foreign citizens rights in Romania, and Oltenians for Oltenians campaign.

The numbers are surprisingly low for SMS campaigning, compared to their potential. This type of campaigns is easier to develop and implement, being at the same time an efficient and fast method to communicate the cause and to fundraise, not to mention the possibility to enlarge the donor database and to start building on a long-term relationship with the community. Moreover, SMS campaigning can also involve volunteering possibilities or can work as an informative channel, as seen from some of the responses. Looking the other way round, it is easier for the potential supporter to give money, to get involved in the organization's activities or to keep him informed about the evolution of the programs he has donated for.

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[11] 2% donation is a legal facilitation affording Romanians to distribute this respective amount from their tax on income for a nonprofit.

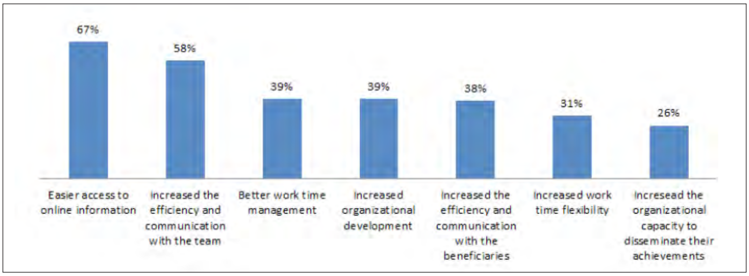

Figure 7. Main benefits of using mobile technology in daily work for nonprofits

Romanian nonprofits use mobile devices in order to perform basic work activities. Taking into consideration the advantages of using these types of devices, there is a strong correlation with the daily tasks, including communication with the team, access to information and better time management. Advantages, like using them as fundraising tools or making a contribution to the organizations budget, are still underrated advantages of mobile devices, the nonprofits could benefit (Figure 7).

Conclusions

Mobile technology can be used to serve a series of purposes and missions for nongovernmental organizations. The NGOs examined to show that nonprofits use technology mainly for increasing their efficiency and communication purposes, but they also all likewise used them to raising funds, management team, and volunteers; afford assistance or specific activities related to their mission. The profile of the organizations that use mobile technology, both in terms of size and budgets (mid organizations, with 1 to 5 employees, 10 to 20 volunteers, medium budgets being around 110,000 Euro), make us question if building an app would be as fruitful for small sized entities and why big organizations have not invested yet in developing their technological dimension. None of the three nonprofits having budgets over 1,000,000 Euro has its own app or invested in SMS campaign, as well as their answers regarding the use of technology, in general, are situated below the average level. This finding is opposite to the ones from Hackler and Saxton (2007, p. 482), who found that less wealthy nonprofits are, less likely to have the organizational capacity, or *IT savvy*, that can facilitate the strategic utilization of information technology.

The organizations which invested in building their own app are rather small to medium size NGOs, and their interest is bigger not only in using but also in investing in infrastructure (e.g. using tablets in their work). Although the international trend is the shift towards harnessing the potential of mobile technologies beyond increasing administrative efficiency, in Romania the numbers are still showing us the fact that local nonprofits have not yet fully given the credit and explored additional options when it comes to mobile. Regardless of the route ultimately selected by an NGO, there remains a continuous growth of data collection, use of smart and handheld devices, and a host of options for donors and volunteers to utilize. Although, there is a promising path of integrating ITC in the daily work routine, seen as tools to make significant developments in their strategic plans, currently nonprofits have not made a big step in what concerns their ITCs capabilities.

In what concerns the perceived impact, the results are mixed. Mainly, nonprofits perceive technology rather as an administrative tool and focus on the basic ways to employ ICTs. Not many of the respondents believe IT can have a bigger impact in areas like research, donations, or stakeholder relationship management.

This research could be a starting point for a wider debate in academic domains about the use of mobile technology for this sector. As new as it is, the subject has the potential to contribute to the development of the NGO sector, in at least three areas: donors behavior, fundraising development, and lastly opportunities for NGOs to deliver their mission goals more efficiently and cost effectively. The limited volume of academic articles on this subject was a point of particular difficulty, especially regarding the Romanian landscape.

Mobile devices will almost certainly become the instrument of choice in the nonprofit assistance and fundraising sector if for no other reason than that is where the market is heading. In a donor-driven world, where technology moves fast and funders possess a myriad of options, successful NGOs will modify their organizational behavior and use technology to directly reach out to, compartmentalize and understand the motivations of those who afford them funding and to ultimately solicit future funding from donors.

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Online resources

www.donatie.ro
www.itnt.ro
www.vodafone.ro