



SZENT ISTVÁN
UNIVERSITY

FACULTY OF ECONOMICS AND SOCIAL SCIENCES,
GÖDÖLLŐ



Faculty
of Business
and Economics

PROCEEDINGS

of the 5th International Conference on Management

2015

„Management, leadership and strategy

for SMEs' competitiveness”

ICM

2015

18-19th June 2015, Gödöllő, Hungary

PROCEEDINGS

of

**the 5TH INTERNATIONAL CONFERENCE ON MANAGEMENT
2015**

**MANAGEMENT, LEADERSHIP AND STRATEGY FOR SMES'
COMPETITIVENESS**

Szent István University

Gödöllő, Hungary

18-19th June 2015

Editor: Dr. Dunay, Anna

ISBN: 978-963-269-492-4

DOI: 10.17626/dBEM.ICoM.P00.2015

Reviewers:

Dr. Bittsánszky, András
Dr. Bögel, György
Dr. Bylok, Felicjan
Dr. Chládková, Helena
Dr. Cichoblazinski, Leszek
Dr. Daróczi, Miklós
Dr. Dunay, Anna
Dr. Farkas, Beáta
Dr. Farkasné Fekete, Mária
Dr. Gavrila-Paven, Ionela
Dr. Horská, Elena
Dr. Illés, Bálint Csaba
Dr. Illés, Mária
Dr. Káposzta, József
Dr. Koltai, Tamás
Dr. Laczka, Éva
Dr. Lehota, József
Dr. Markó, Olga
Dr. Muraközy, László
Dr. Naár-Tóth, Zsuzsanna
Dr. Nagy, Henrietta
Dr. Poór József
Dr. Salek, Robert
Dr. Slocinska, Anna
Dr. Szakály, Zoltán
Dr. Szerb, László
Dr. Tózsér, János
Dr. Ubreziová, Iveta
Dr. Vajna-Tangl, Anita

Copyright © 2015 Organizing Committee of ICoM 2015

Published by

Szent István University Publishing House
(Szent István Egyetemi Kiadó Nonprofit Kft.)
H-2100 Gödöllő, Páter Károly utca 1., Hungary
Circulation: 300 copies (CD)



The main sponsors of the Conference:

Supporting organizations:

Doctoral School of Management and Business Administration
Szent István University, Gödöllő
Agrár Management Alapítvány

Main supporting companies:

Hilltop
Lexus Buda
Pearson
Primavera
SoReCa
Lázár Equestrian Park

Professional support from:

Hungarian Tourism Ltd.

5TH INTERNATIONAL CONFERENCE ON MANAGEMENT

Management, leadership and strategy for SMEs' competitiveness

Szent István University, Gödöllő,
18-19th June 2015

organized by

Szent István University, Gödöllő, Hungary, Faculty of Economics and Social Sciences

in cooperation with

Częstochowa University of Technology, Poland, Faculty of Management

Slovak University of Agriculture in Nitra, Slovakia, Faculty of Economics and
Management

Mendel University in Brno, Czech Republic, Faculty of Business and Economics



This is the 5th conference of the series International Conference on Management (ICoM) which was started in 2011, with the idea to bring together scientists, researchers, students as well as the representatives of the business sector to exchange and share their experiences and research results about contemporary management issues. An additional goal of the conference is to provide a place for academicians and professionals with multi-disciplinary interests related to organization, business and management issues.

Conference topics:

1. business strategies, planning and management
2. management and evolution process of SMEs
3. role of human resource in the efficient operation of companies
4. human capital, social capital and intellectual capital
5. motivation of human resource
6. knowledge management
7. leadership and corporate governance
8. management of conflict, negotiations and mediation
9. change management and crisis management
10. risk management
11. new trends in marketing
12. management and innovation in agriculture
13. competitiveness of agricultural and food processing enterprises
14. sustainability aspects of production
15. quality and safety in food industry

SCIENTIFIC COMMITTEE

Chairs:

Prof. Dr. Felicjan BYLOK, *Częstochowa University of Technology, Poland*
Prof. Dr. Csaba Bálint ILLÉS, *Szent István University, Gödöllő, Hungary*
Prof. Dr. Elena HORSKÁ, *Slovak University of Agriculture in Nitra, Slovakia*
Assoc. Prof. Dr. Ida VAJČNEROVÁ, *Mendel University in Brno, Czech Republic*

Members:

Prof. Dr. Peter BIELIK, <i>Slovak University of Agriculture in Nitra, Slovakia</i> Dr. András BITTSÁNSZKY, <i>Plant Protection Institute, Centre for Agricultural Research, Hungarian Academy of Sciences, Budapest</i> Prof. Dr. György BÖGEL, <i>CEU Business School, Budapest, Hungary</i> Prof. Dr. Stanisław BRZEZIŃSKI, <i>Częstochowa University of Technology, Poland</i> Assoc. Prof. Dr. Helena CHLÁDKOVÁ, <i>Mendel University in Brno, Czech Republic</i> Assoc. Prof. Dr. Christina CIECIERSKI, <i>Northeastern Illinois University in Chicago, USA</i> Assoc. Prof. Dr. Miklós DARÓCZI, <i>Szent István University, Gödöllő, Hungary</i> Prof. Dr. Miklós DOBÁK, <i>Corvinus University of Budapest, Hungary</i> Prof. Dr. Beáta FARKAS, <i>University of Szeged, Hungary</i> Prof. Dr. Mária FARKAS-FEKETE, <i>Szent István University, Gödöllő, Hungary</i> Prof. Dr. Janusz GRABARA, <i>Częstochowa University of Technology, Poland</i> Prof. Lesław HABER, <i>University of Rzeszow, Poland</i> Prof. Dr. Mária ILLÉS, <i>University of Miskolc, Miskolc, Hungary</i> Dr. hab. Jan Franciszek JACKO, <i>Jagiellonian University, Kraków, Poland</i> Prof. Dr. Waldemar JĘDRZEJCZYK, <i>Częstochowa University of Technology, Poland</i> Prof. Dorota JELONEK, <i>Częstochowa University of Technology, Poland</i> Prof. h.c. Dr. József KÁPOSZTA, <i>Szent István University, Gödöllő, Hungary</i> Prof. Dr. Sándor KERÉKES, <i>University of Kaposvár, Hungary</i> Prof. Dr. Tamás KOLTAI, <i>Budapest University of Technology and Economics, Hungary</i>	Prof. Dr. Robert KUČEBA, <i>Częstochowa University of Technology, Poland</i> Prof. h.c. Dr. Éva LACZKA, <i>Hungarian Central Statistical Office, Hungary</i> Prof. Dr. József LEHOTA, <i>Szent István University, Gödöllő, Hungary</i> Prof. Dr. Csaba MAKÓ, <i>Szent István University, Gödöllő, Hungary</i> Dr. László MURAKÖZY, <i>Szent István University, Gödöllő, Hungary</i> Prof. Dr. Zygmunt NITKIEWICZ, <i>Częstochowa University of Technology, Poland</i> Prof. Dr. Maria NOWICKA-SKOWRON, <i>Częstochowa University of Technology, Poland</i> Prof. Dr. Arnold PABIAN, <i>Częstochowa University of Technology, Poland</i> Prof. Dr. József POÓR, <i>Szent István University, Gödöllő, Hungary</i> Prof. Dr. Gamze SANER, <i>Ege University, Turkey</i> Dr. Anna SŁOCIŃSKA, <i>Częstochowa University of Technology</i> Prof. Dr. Urszula SWADŹBA, <i>University of Silesia in Katowice, Poland</i> Prof. Dr. Zoltán SZAKÁLY, <i>University of Debrecen, Hungary</i> Prof. Dr. László SZERB, <i>University of Pécs, Hungary</i> Prof. Dr. Csaba SZÉKELY, <i>University of West Hungary, Sopron, Hungary</i> Prof. Dr. János TÖZSÉR, <i>Szent István University, Gödöllő, Hungary</i> Prof. Dr. Iveta UBREŽIOVÁ, <i>Slovak University of Agriculture in Nitra, Slovakia</i> Assoc. Prof. Dr. Anita VAJNA-TANGL, <i>Szent István University, Gödöllő, Hungary</i> Prof. Dr. hab. Danuta WALCZAK-DURAJ, <i>University of Lodz, Poland</i> Assoc. Prof. Dr. Michael WENZ, <i>Northeastern Illinois University in Chicago, USA</i>
---	---

ORGANIZING COMMITTEE

Chairs:

Dr. Leszek CICHOBŁAZIŃSKI, *Częstochowa University of Technology*
Assoc. Prof. Dr. Anna DUNAY, *Szent István University, Gödöllő, Hungary*

Members:

Dr. Aleksandra CZARNECKA, *Częstochowa University of Technology*
Dr. Sylvie FORMÁNKOVÁ, *Mendel University, Czech Republic*
Dr. Ionela GAVRILĂ-PAVEN, *University „1 Decembrie 1918” Alba Iulia, Romania*
Assoc. Prof. Dr. Sebastian KOT, *Częstochowa University of Technology, Poland*
Dr. Jana KOZÁKOVÁ, *Slovak University of Agriculture in Nitra, Slovakia*
Dr. Enikő LENCSEŚ, *Szent István University, Gödöllő, Hungary*
Dr. Olga MARKÓ, *Szent István University, Gödöllő, Hungary*
Assoc. Prof. Dr. Henrietta NAGY, *Szent István University, Gödöllő, Hungary*
Dr. hab. Tomasz NITKIEWICZ, *Częstochowa University of Technology, Poland*
Assoc. Prof. Dr. László PATAKI, *Szent István University, Gödöllő, Hungary*
Dr. Robert SALEK, *Częstochowa University of Technology, Poland*
Dr. Łukasz SKIBA, *Częstochowa University of Technology, Poland*
Prof. Dr. Tivadar SZILÁGYI, *Szent István University, Gödöllő, Hungary*
Prof. Dr. Robert ULEWICZ, *Częstochowa University of Technology, Poland*

Local Organizing Committee:

Emese TATÁR, *Szent István University, Gödöllő, Hungary* – Secretary
Judit FARKAS-INKRET, *Szent István University, Gödöllő, Hungary*
Monika GÁBRIEL, *Szent István University, Gödöllő, Hungary*
Beatrix HORÁNYI, *Szent István University, Gödöllő, Hungary*
Dr. Hilda HURTA, *Szent István University, Gödöllő, Hungary*
Assoc. Prof. Dr. Zoltán HORVÁTH, *Szent István University, Gödöllő, Hungary*
Dr. Attila KOVÁCS, *Szent István University, Gödöllő, Hungary*
Zsuzsanna LEHOTA, *Szent István University, Gödöllő, Hungary*
Assoc. Prof. Dr. Zsuzsanna NAÁR-TÓTH, *Szent István University, Gödöllő, Hungary*
István PETŐ, *Szent István University, Gödöllő, Hungary*
András J. TÓTH, *Szent István University, Gödöllő, Hungary*
Assoc. Prof. Dr. Gyögy UGRÓSDY, *Szent István University, Gödöllő, Hungary*
dr. Szilvia VETTER, *Szent István University, Gödöllő, Hungary*
Assoc. Prof. Dr. Sergey VINOGRADOV, *Szent István University, Gödöllő, Hungary*



TABLE OF CONTENTS

PLENARY SESSION

<i>László SZERB, William N. TRUMBULL</i> Entrepreneurship and entrepreneurial ecosystem in the V4 countries: The Global Entrepreneurship Index perspective	2
<i>György BŐGEL</i> Competing in a smart world	8
<i>Dorota JELONEK</i> The chosen determinants of e-entrepreneurship development	13
<i>Elena HORSKÁ, E.S. MARGIANTI, Jakub BERČÍK, Jana GÁLOVÁ</i> Consumer neuroscience solutions: towards innovations, marketing effectiveness and customer driven strategies	18
<i>József LEHOTA, Erika KÖNYVES, Anna DUNAY</i> Key factors of a successful restaurant strategy in Hungary	22

CONTRIBUTED PAPERS

<i>Urban PAULI</i> Investing in Relations as an opportunity for SME's growth	29
<i>Zoltán T. NAGY, Hilda HURTA, Anna DUNAY, Csaba Bálint ILLÉS</i> The comparison of the organizational culture of an Austrian and a Hungarian chemical engineering company	35
<i>Robert KUČEBA, Waldemar JEĐRZEJCZYK</i> Pro-ecological activities of SMEs barriers, determinants, financial support mechanisms	40
<i>Joanna PURGAŁ-POPIELA</i> Role of international assignments in knowledge flow in small and medium companies with foreign ownership	45
<i>Grażyna KARMOWSKA, Mirosława MARCINIAK</i> Small and medium-sized enterprises in European Union	50
<i>Adela Suzana COLȚA</i> Increasing electronic communication between organizations and local government: a solution for economic development of the Western Region of Romania	57
<i>Monika ZAJKOWSKA</i> Development and implementation of sustainability-oriented innovation in polish small and medium-sized enterprises	62
<i>Mohamad Zaini ABU BAKAR</i> Small and medium enterprises and restructuring the society in Penang, Malaysia: local wisdom perspectives	67
<i>Maciej SZAFRAŃSKI, Marek GOLIŃSKI</i> Monitoring demand for professional skills in SMEs of the Wielkopolska region	73

<i>Anett PANDURICS, Csaba Bálint ILLÉS</i> Ups and downs: how the five competitive forces of Porter shape strategies in the Hungarian MTPL-market.....	78
<i>Oana Maria STĂNCULESCU</i> Impact evaluation of European funds for increasing the companies' competitiveness in the north-west region of Romania.....	85
<i>Malgorzata OKREGLICKA, Anna LEMAŃSKA-MAJDZIK</i> Process management orientation in the finance area of small and medium-sized enterprises.....	91
<i>Péter BÓNA</i> Which tools may increase the performance related to the customers' perspective?	96
<i>Dan-Cristian DABIJA, Ioana-Nicoleta ABRUDAN, Cătălin POSTELNICU</i> Competitive strategies of fitness gyms in international business environment. Empirical findings through observation.....	102
<i>Zoltán HORVÁTH</i> Nature of nonprofit organizations' management.....	108
<i>Scott William HEGERTY</i> Commodity-Price Volatility and external risk: implications for the macroeconomies of Central and Eastern Europe.....	114
<i>István VAJNA, Anita VAJNA-TANGL</i> The comparison of the different ways of the introduction of the 5S method in practice and the effect on the productivity and the accounting information.....	119
<i>Csaba Bálint ILLÉS, Csaba SZUDA</i> Quality in manufacturing – is a management tool?.....	126
<i>Saad S. ISSA, Wisam N. HUSSEIN, Satam S. HUSSEIN</i> The effect of earning quality on liquidity risk by applying on banks registered in Iraqi Stock Exchange	130
<i>Olga MARKÓ, Anett PANDURICS</i> Role of the liability insurance in the enterprise risk management.....	135
<i>Laura Adriana COJOCARU, Aura Emanuela DOMIL</i> The new approach regarding taxpayers information in Romania	140
<i>Zahri HAMAT</i> Harmonization of business zakat and taxation in Malaysia	147
<i>Zsófia KENESEY, Márta NAGYNÉ SASVÁRI, László PATAKI, Rita Anna AMBRUS</i> Preliminaries and expected consequences of the changes in the EU banking regulation	152
<i>Beatrix HORÁNYI, Olga MARKÓ</i> Competitiveness of the car traders in Hungary after the economic crisis.....	157
<i>Marta ZAJĄC</i> Intergenerational relations in contemporary organization.....	162
<i>Tamás KOLTAI, Judit UZONYI-KECSKÉS</i> Comparison of DEA models applied for evaluation of the results of a production simulation game	168

<i>Sathya Narayanan SIVAPRAKASAM, Manikandan VELRAJAN</i> Antecedents to knowledge sharing behaviour: trust climate as the facilitator and attachment to knowledge as the detractor	173
<i>Márk MOLNÁR, Zsuzsanna NAÁR-TÓTH</i> Applying alternative metrics in the quantification of news	178
<i>Elżbieta ROBAK, Anna SŁOCIŃSKA</i> Work determinants of Work-Life Balance in the small and medium-sized enterprises	183
<i>Ewelina CHRAPEK</i> Selected aspects of psychological adaptation in the family in the face of the problem of workaholism	188
<i>Robert JANIK</i> The ecological and social costs of economic development and their influence on management	192
<i>Katarzyna TRACZ-KRUPA</i> European social fund in the perspective 2014-2020 in Poland. New challenges for human resource development	198
<i>Mădălina Camelia OLTEANU (ADAM), Alina Eliza DABIJA</i> An analysis of the implementation stage of the professional training programmes in SMEs in Dolj county	203
<i>Anna SŁOCIŃSKA</i> Knowledge sharing behaviour and development of Small and Medium-sized enterprises ...	209
<i>József POÓR, Tímea JUHÁSZ, Imre MADARÁSZ, Zsolt HORBULÁK, Ingrid SZABÓ, Imrich ANTALIK, Ildikó Éva KOVÁCS, Miklós DÚS, Györgyi GÁBRIELNÉ TÓZSÉR, Szergej VINOGRADOV, Fawzi Mohamed MUATAZ, Csaba KOLLÁR</i> Examination of the attitudes towards atypical employment from the perspective of Slovak and Hungarian unemployed	214
<i>Tadeusz WRONA</i> Management of public services in local governments with the example of the city of Częstochowa.....	220
<i>Anna KARCZEWSKA, Magdalena BSOUL</i> Public relations in the management of a modern enterprise	226
<i>Małgorzata RANDAK-JEZIERSKA</i> Coaching in managerial work	231
<i>Urszula SWADŹBA, Rafał CEKIERA</i> Entrepreneurship as a part of the socio-cultural capital a sociological analysis	235
<i>Małgorzata SIERPIŃSKA</i> Gender stereotypes in the organization	242
<i>Matthias REICH, Jürgen FONGER</i> The integration of disabled people into the German labor market - how the workplace health management is able to complement the existing tools	248
<i>Beniamin G. BOŞCAI</i> A new job – online recruiter based on evolution of e-recruitment.....	255

<i>Mounia UTZERI</i> The double-edged sword of gender equality programmes a comparative case study at the management of a German and a French auto manufacturer	260
<i>Katarzyna KUKOWSKA, Sebastian SKOLIK</i> Sharing the common good in the context of the flow of social capital in social networks....	267
<i>Ildikó BUDAVÁRI-TAKÁCS, Fruzsina Éva LUKÁCS, Csilla Judit SUHAJDA</i> Competences employees are expected to have on the labour market	272
<i>Sebastian SKOLIK, Elżbieta ROBAK</i> Cooperation in the different workplaces – formal organizations and informal social movements	278
<i>George XANTHAKIS, Marianthi STOGIANNIDOU</i> Motivation theories: validity in a new context. Transfer and application in Greece	283
<i>Rafał PRUSAK</i> Intellectual capital of enterprises in the context of the intensification of innovative processes.....	288
<i>Aleksandra CZARNECKA</i> E-learning as a method of employees’ development	293
<i>Seweryn CICHON</i> The role of modern educational tools in managing the work of university teachers	297
<i>Agata PRZEWOŻNA-KRZEMIŃSKA</i> A personnel audit as an element of employee motivation and commitment	302
<i>Mirosław HARCIAREK</i> Project of monitoring of employees’ psychophysical condition using aftereffect as a mean of decreasing the number of accidents and wrong decisions.....	306
<i>Marzena PYTEL-KOPCZYŃSKA</i> Role of human resource in the efficient operation of companies in the healthcare entities...	310
<i>Ghazala OTHMAN, Abdussalam Ashour KHALIF, Ali ALAMMARI</i> Some aspects of human resource management with special emphasis on HR strategies and tools	314
<i>Magdalena BSOUL, Anna KARCZEWSKA</i> Career management in dispositional groups	319
<i>János FEHÉR</i> Leadership and value work.....	324
<i>Lai Wan HOOI</i> Relationship between organisational justice and organisational citizenship behaviour: examining the mediating role of job satisfaction	330
<i>Leszek CICHOBŁAZIŃSKI</i> The dark side of organization – Management in the face of counterproductive behavior (Theoretical background and empirical implications)	334
<i>Waldemar JĘDRZEJCZYK, Robert KUCEBA</i> The issue of intuition in management - established knowledge and perspective of evolution.....	339

<i>Farid AHMADI, Ali ASHABI</i> Performance contagion management	344
<i>Giovana Lavinia TIMIS (IUHASZ), Marin POPESCU</i> Corporate governance in the developing countries	349
<i>Metë BEQIRAJ</i> Mechanisms of corporate governance in Kosovo	354
<i>Kenneth Obinna AGU, Mária FEKETE-FARKAS</i> Territorial innovativeness: can cultural differences be an important factor?	358
<i>Farsat Ali SHABAN, Dilgash Q. Mohamed SALIH, Waleed Ali Hussein AL-ZAIDI</i> The impact of creativity elements on educational service quality dimensions – an exploratory study of academic staff perceptions in Duhok Polytechnic University	365
<i>Felicjan BYLOK</i> Corporate social responsibility as an element of the strategies of SMEs in Poland	372
<i>Diana Corina GLIGOR-CIMPOIERU</i> The human resources dimension of corporate social responsibility in a strategic approach	378
<i>Joanna GAJDA</i> Socially responsible management in respect of employment	384
<i>Iveta UBREŽIOVÁ, Elena HORSKÁ, Andrzej KRASNODĘBSKI</i> Perception of corporate social responsibility in the context of internationalization process in the selected company	390
<i>Katarzyna ZADROS</i> Factors promoting workers involvement in building the socially responsible organization illustrated by the example of health institutions.....	395
<i>Łukasz SKIBA</i> Ethics in negotiations	400
<i>Ionela GAVRILĂ-PAVEN, Ioan BELE</i> Growth Pole Alba Iulia – Sebeş between theory and reality.....	406
<i>Viktória JÓZSA</i> Change in the mindset? - Empirical evidence on the role of multinational companies in the evolution process of SMEs.....	413
<i>Gergely TÖRÖK</i> Cluster management practices in Romania and their impact on the development of local clusters.....	419
<i>Robert SAŁEK, Anna WIŚNIEWSKA-SAŁEK</i> Modelling of the dominant industry as the element of managing the development of a branch in the region from a perspective of building the logistic supply chain.....	425
<i>Monika GÁBRIEL</i> Green supply chain management in Hungarian automotive OEM’ practice.....	432
<i>Árpád BAK, Imre KOVÁCS, Miklós DARÓCZI</i> The role of knowledge networks in the innovation ability of the Hungarian agricultural machinery manufacturers	439

<i>Enikő LENCSE</i>	
The precision farming technology like a modern tool of agricultural innovation	444
<i>Laura-Gabriela CONSTANTIN</i>	
Insights on diversifying agriculture systemic risk across regions – approaching the Romanian case.....	450
<i>Sylvie FORMÁNKOVÁ, Helena CHLÁDKOVÁ, Nad'a HANUSOVÁ</i>	
Organic production as a trend in wine industry? – The case of Czech Republic and New Zealand	455
<i>István FODOR, László ÓZSVÁRI</i>	
The evaluation of reproductive performance in dairy herds	461
<i>Szilvia VETTER</i>	
Is animal welfare rewarding? Animals, ethics and human benefits in the light of alternative economic indicators.....	467
<i>Dejan ĐORĐEVIĆ, Dragan ČOČKALO, Srđan BOGETIĆ, Cariša BEŠIĆ, Edit TEREK</i>	
Implementation of certification schemes in Serbian and neighboring countries agrifood industry.....	473
<i>László ÓZSVÁRI, Gyula KASZA, Zoltán LAKNER</i>	
The history and importance of bioterrorism.....	481
<i>András BITTSÁNSZKY, Csaba Bálint ILLÉS, Lajos FÜLÖP, András J. TÓTH</i>	
Surveying the hygienic conditions of canteens by means of surface microbiological analyses	488
<i>Anna BAZAN-BULANDA</i>	
Polish law regulations for food safety	493
<i>Zoltán TÚRÓCZI, András BITTSÁNSZKY, Lajos FÜLÖP, Anna DUNAY, András J. TÓTH</i>	
Examination of plate waste in school catering.....	497
<i>Maria BAKOSNÉ BÖRÖCZ, Boglárka HERCZEG</i>	
The marketing value of sustainability in the case of restaurants.....	501
<i>Adrienn HEGYI, Tünde KUTI, Zsófia KERTÉSZ, András SEBŐK, Sara DE PELSMAEKER, Xavier GELLYNCK, József LEHOTA</i>	
Consumer behaviour at the impulse product with product defect.....	506
<i>Magdalena RZEMIENIAK</i>	
Marketing communication problems illustrated with an example of agricultural trade shows and exhibitions	513
<i>Magdalena SYRKIEWICZ-ŚWITAŁA, Katarzyna LAR, Tomasz HOLECKI</i>	
The use of social media and social media marketing tools by the polish marshal offices to promote health.....	520
<i>Katalin TARI</i>	
Community sites' effects on on-line sales.....	524
<i>Katarzyna ŁAZORKO</i>	
Experience sharing marketing as a new marketing tool.....	528
<i>Seyyed Amir VAFAEI, Mária FEKETE-FARKAS</i>	
Short communication: the effect of social media on customer behaviour	533

<i>Ádám HORVÁTH, Balázs GYENGE, Georgina RÁCZ</i> Movie viewing habits of university students.....	537
<i>Attila LENGYEL</i> Extending tourism's role in the tourism - meditation - creativity-innovation - sustainability trajectory	543
<i>Klara MORVAY KARAKAS, Emese TATAR</i> Impacts of economic crisis on hotel industry – a Hungarian case study.....	549
<i>Ali ALAMMARI, Abdussalam Ashour KHALIF, Ghazala OTHMAN</i> Role of SMEs in Libyan tourism sector	554
<i>Maria NOWICKA-SKOWRON, Helena KOŚCIELNIAK</i> Intangible resources in process of shaping the social approaches of enterprises.....	559
<i>Beata SKOWRON-GRABOWSKA</i> Knowledge management in innovative and social processes of enterprises.....	560
<i>Bogdan DIMA, Flavia Mirela BARNA, Miruna Lucia NACHESCU</i> The capital markets and the rule of law	561
<i>Parand SHARIFNIAE , Azhdar KARAMI</i> Knowledge management and strategic alliances in SMEs.....	562
<i>Janos HARSKUTI</i> Human capital efficiency in the payment transfer system of the SMEs	563
<i>Agnieszka KWIATEK, Łukasz KWIATEK</i> Intergenerational knowledge diffusion in the context of managing diversity in the organization.....	564

PREFACE

The 5th International Conference on Management (ICoM 2015) “Management, leadership and strategy for SMEs’ competitiveness” is organized by the Department of Business Economics and Management of the Faculty of Economics and Social Sciences of Szent István University, Gödöllő (Hungary) in cooperation with the Management Faculty of Częstochowa University of Technology (Poland), the Faculty of Economics and Management of the Slovak University of Agriculture in Nitra (Slovakia) and the Faculty of Business and Economics of the Mendel University in Brno (Czech Republic).

This is the 5th event of our common international conference series which is a great result of the fruitful cooperation of the partner universities representing the Visegrad Group.

The main objective of the conference is to ensure broadening the connections of researchers, to widen research fields towards other management issues, and to discuss the results and ideas of colleagues at different management fields. Our topics cover a wide range of the hottest management topics of our times, such as business strategies and planning, human resource management, leadership and corporate governance; change management, knowledge management; management and evolution process of SMEs, management and competitiveness in agriculture, new marketing trends and food quality and food safety issues.

The conference topics focus on the SME sector and wish to explore the specific problems of this sector all over the world.

We wish to give opportunity for researchers, students and professionals to share their experiences and research results and to discuss how to put them into practice.

I hope that our conference will be successful and you all will enjoy your stay in Gödöllő, and meet again at the next conference in 2016.

13th June 2015, Gödöllő, Hungary

Assoc. Prof. Dr. Anna Dunay

Co-Chair of the Organizing Committee
Department of Business Economics and Management
Faculty of Economics and Social Sciences
Szent István University, Gödöllő, Hungary

PLENARY PAPERS

ENTREPRENEURSHIP AND ENTREPRENEURIAL ECOSYSTEM IN THE V4 COUNTRIES: THE GLOBAL ENTREPRENEURSHIP INDEX PERSPECTIVE

László SZERB¹, William N. TRUMBULL²

¹University of Pécs, Faculty of Business and Economics, Pécs Hungary

²School of Business Administration, The Citadel, Charleston, USA

E-mail: szerb@ktk.pte.hu

Summary: Unlike previous analyses that applied single activity related entrepreneurship measures like self-employment, business ownership ratio, or the GEM's TEA rate, we use a complex entrepreneurship measure, the Global Entrepreneurship and Index (GEI) to examine the level of entrepreneurship in the V4 countries of the Czech Republic, Hungary, Poland and Slovakia. GEI incorporates both individual and institutional factors of entrepreneurship in order to explain the role of entrepreneurship in economic development. The GEI, with its three sub-indexes and fourteen pillars, is a particularly suitable tool for examining the level, the components, and the configuration of the National System of Entrepreneurship. Investigating the V4 countries, we can see that the overall level of entrepreneurship in these countries fits to their level of economic development.

Keywords: entrepreneurship, GEM, Global Entrepreneurship Index, Visegrad countries

1. Introduction: Entrepreneurship in transition countries

The fall of the Berlin Wall in 1989 clearly indicated an end of the era of the Soviet type socialist system. Early research about the transition was characterized by the identification of the phases, the necessary steps as well as the order and the speed of transition (Aghion and Blanchard, 1994; Kornai, 1990; Sachs, 1996). Interest later turned towards the institutional structure of the market economy and the microeconomic issues of firm performance (Earle et al., 1996; Aidis et al., 2008). One important, albeit relatively under-researched, fields of transition was the role of entrepreneurship (Tyson et al., 1994; Estrin and Mickiewicz, 2010). McMillan and Woodruff (2002) argued that “the success or failure of a transition economy can be traced in large part to the performance of its entrepreneurs” (p. 154).

The examination of entrepreneurship in the former socialist countries is relatively new. While some forms of entrepreneurship existed in all of the former socialist countries, private business ownership was basically banned or, at best, tolerated for a long time. In the initial years of transition both the share of privately owned businesses and the contribution of the private sector in GDP grew fast (World Bank, 1996) due to both pent up entrepreneurial desire and pent up demand for consumer goods services. Business development was fuelled by *de novo* startups and privatization (Kornai, 1992, Tyson *et al.*, 1994).

The situation changed in the 2000s. By that time, the main transformation changes to set up the basic institutions of a market economy were finished, economies were mostly liberalized, and the wave of privatization ended. The European Union accession became the primary challenge for most of the transition countries, requiring a further opening of their economy. Under the increased pressure of foreign competition and quickly saturated domestic markets new venture creation slowed down and the weaknesses of the newly created businesses become relevant. Most researchers notice significant differences in entrepreneurship between the transition and the developed countries as well as amongst transition countries even nowadays (Nikolova, 2012). There are three views of explanations about these variations. A group of researchers emphasize the role of institutions that do not support or even retard

entrepreneurship (Aidis et al., 2008; van der Zwan 2011). Others highlight the individual aspects and characteristics (McMillan and Woodruff, 2002; Cieslik and van Stel, 2012). The third group of scholars underlines the importance of both the individual and the institutional aspects (Hashi and Krasniqi, 2011). Following Baumol's theory (Baumol, 1990), these researchers recognize institutional barriers as well as identify different kinds of entrepreneurship behavior and characteristics resulting various, in some cases unique forms of businesses. While there was a lack of high growth, innovative ventures, various underproductive, unproductive or in some cases even destructive entrepreneurship emerged such as nomenclatura, self-employment, part time and informal sector businesses (Smallbone and Welter, 2001). Besides formal institutions Estrin and Mickiewicz (2010) call attention to the slow adaptation of informal institutions, attitudes and social norms, particularly general trust.

The main purpose of this paper is to examine how far has transition countries progressed? We aim to examine the level of entrepreneurship in the transition countries in particular the V4 economies and to compare it to other country groups by relying on the Global Entrepreneurship Index (GEI) methodology.

2. Measuring entrepreneurship

While entrepreneurship has become an emerging field in business and economic research over the last decades, there is still no agreement on the definition and the conceptualization of entrepreneurship. According to Acs *et al.* (2014) entrepreneurship concepts include framework, activity and output measures. However, a minimal consensus about viewing entrepreneurship as a multidimensional concept has been emerging (Wennekers and Thurik, 1999; Acs and Audretsch, 2010). The Global Entrepreneurship Monitor (GEM) is designed to measure the individual capabilities, motivations, and attitudes about entrepreneurship. GEI adds the macro-level institutional dimensions or in other words ecosystem, as it relates to entrepreneurship to the individual-level dimensions of the GEM. The resulting index, therefore, accounts for all the stages of transition, both macro and individual.

The GEDI views country-level entrepreneurship from a system perspective involving both the individual and the institutional sides. Formally, we define country-level entrepreneurship as "...the dynamic, institutionally embedded interaction between entrepreneurial attitudes, entrepreneurial abilities, and entrepreneurial aspirations by individuals, which drives the allocation of resources through the creation and operation of new ventures" (Acs *et al.*, 2013, p. 11). Like other composite indexes, the GEI has a multilevel structure. Namely, there are four levels of the GEI index: (1) variables, (2) pillars, (3) sub-indices, and, finally, (4) the super-index. All three sub-indices contain many pillars which can be interpreted as quasi-independent building blocks of this entrepreneurship index. The three sub-indices of attitudes, abilities, and aspiration constitute the entrepreneurship super-index, which we call the Global Entrepreneurship Index.¹

3. Entrepreneurship in the V4 countries

The calculation of the GEI scores and the description of the methodology is based on Acs *et al.* (2014). Table 1 shows the rank of the countries' overall GEI scores for the 2014 year. We highlight the examined transition countries with light grey and the V4 countries with dark grey.

¹ For details see Acs et al. (2014).

Table 1: The Global Entrepreneurship Index rank of some selected countries (2014)

Rank	Country	GDP 2013	GEI	Rank	Country	GDP 2013	GEI
1	United States	51 340	86,6	54	Montenegro	14 152	37,6
2	Canada	41 894	79,7	55	Brunei Darussalam	69 474	37,4
3	Australia	42 831	78,4	56	Malaysia	22 589	36,9
4	Sweden	43 741	76,2	57	Macedonia	11 609	36,7
5	Denmark	41 991	76,2	58	Costa Rica	13 431	36,2
6	Taiwan	40 393	69,8	59	Kazakhstan	22 467	35,1
7	Iceland*	41 250	69,2	60	China	11 525	34,9
8	Switzerland	54 697	68,2	61	Argentina	18 709	34,8
9	United Kingdom	37 017	68,0	62	Tunisia	10 768	34,5
10	France	37 154	66,7	63	Ukraine	8 508	33,6
..				64	Thailand	13 932	33,4
20	United Arab Emirates*		61,3	65	Jordan	11 407	33,3
21	Israel	31 029	57,6	66	Botswana	15 247	33,1
22	Estonia	25 132	57,5	67	Panama	18 793	32,3
23	Luxembourg	87 737	57,3	68	Russia	23 564	32,2
24	Qatar		56,6	69	Bolivia	5 934	32,0
25	Lithuania	24 483	55,0	70	Peru	11 396	31,9
26	Latvia	21 825	53,7	71	Dominican Republic	11 795	31,5
27	Korea	32 708	53,6	72	Namibia	9 276	31,3
28	Turkey	18 660	52,9	73	Moldova	4 521	31,3
29	Bahrain	42 428	52,1	74	Serbia	12 893	31,0
30	Japan	35 614	50,7	75	Algeria	12 893	30,6
31	Slovenia	27 576	50,7	76	Albania	10 405	30,1
32	Spain	31 596	50,6	77	Belize	8 215	29,8
33	Portugal	25 596	50,2	78	Morocco	6 967	29,4
34	Poland	22 877	49,5	79	Libya	20 371	28,9
35	Puerto Rico	33 638	48,4	80	Iran	15 090	28,8
36	Saudi Arabia	52 068	47,9	81	Georgia	6 946	28,8
37	Slovakia	26 263	46,5	82	Bosnia and Herzegovina	9 387	28,8
38	Oman	42 649	45,9	83	Trinidad & Tobago	29 469	28,3
39	Kuwait		45,7	84	Vietnam	5 125	28,2
40	Hong Kong	51 509	45,4	85	Nigeria	5 423	28,1
41	Hungary	22 914	45,3	86	Gabon	18 646	27,8
42	Romania	18 200	45,1	87	Mexico	16 291	27,5
43	Colombia	12 025	44,9	88	Ecuador	10 541	27,5
44	Czech Republic	27 959	44,5	89	Jamaica	8 607	27,4
45	Greece	24 540	42,3	90	Egypt	10 733	27,4
46	Bulgaria	15 695	41,8	91	Philippines	6 326	26,9
47	Uruguay	18 966	41,4	92	Brazil	14 555	26,2
48	Italy	34 167	41,3	..			
49	Cyprus	27 394	41,2	128	Sierra Leone	1 495	14,4
50	Croatia	20 063	40,1	129	Mauritania	2 945	13,2
51	Lebanon	16 623	39,8	130	Malawi	755	12,4
52	Barbados	15 299	38,6	131	Burundi	747	11,9
53	South Africa	12 106	38,6	132	Chad	2 022	9,9

Source: by authors based on Acs et al. (2014)

Altogether, there are 21 such countries. A Baltic country Estonia, lead the rank of transitional countries followed by the other two Baltic countries Lithuania and Latvia.

The most developed transition country, Slovenia is a little bit ahead of the best Visegrád country, Poland with marginally below 50.0 GEI points. Slovakia is the second best V4 country with 46.5 GEI points. Hungary and Romania with 45.3-45.1 GEI points are ahead of the more developed Czech Republic (44.5). Montenegro, Macedonia, Kazakhstan Ukraine, Russia, Moldova, Serbia, Albania, Georgia, and Bosnia and Herzegovina follow them with much lower GEI scores of 37.6-28.8.

When we compare this performance to the development implied trend-line, The Czech Republic and Slovakia are below the trend by 11,5% and 4%, respectively, while Hungary and Poland are above the trend by 1,5% and 10,9%, respectively. This performance is about the same as other similarly developed efficiency driven non-transition countries.

Table 2 provides a more detailed picture about the components of the GEI; that are the fourteen pillars, the three sub-indices and the individual and the institutional components. A note that the institutional components of the pillars can be interpreted as the contextual, ecosystem variables. In this case we compare the V4 countries to other transition and non-transition countries.

Table 2: The composition of the fourteen pillars, the three sub-indices, the individual and institutional components for the V4, transition and non-transition countries

Country	Czech Republic	Hungary	Poland	Slovakia	Transition average	Non transition efficiency driven average
Entrepreneurial Attitudes	36,4	43,7	51,5	44,4	39,2	38,2
Opportunity Perception	0,32	0,27	0,39	0,19	0,27	0,53
Startup Skills	0,60	0,50	0,89	0,64	0,61	0,44
Risk Acceptance	0,58	0,51	0,38	0,54	0,32	0,33
Networking	0,49	0,58	0,67	0,87	0,62	0,52
Cultural Support	0,11	0,42	0,52	0,32	0,37	0,40
Entrepreneurial Abilities	41,5	45,5	37,8	36,4	39,0	31,7
Opportunity Startup	0,49	0,49	0,26	0,31	0,38	0,40
Technology Absorption	0,68	0,55	0,35	0,53	0,44	0,20
Human Capital	0,28	0,49	0,45	0,39	0,47	0,35
Competition	0,48	0,38	0,49	0,31	0,41	0,46
Entrepreneurial Aspirations	56,1	47,1	59,5	59,2	45,2	31,2
Product Innovation	0,61	0,32	0,69	0,57	0,38	0,42
Process Innovation	0,78	0,45	0,45	0,55	0,44	0,28
High Growth	0,62	0,60	0,72	0,69	0,60	0,39
Internationalization	0,99	0,82	0,95	1,00	0,69	0,34
Risk Capital	0,61	0,36	0,60	0,78	0,49	0,32
GEI	44,6	45,4	49,6	46,7	41,1	33,7
Institutional (ecosystem)	0,71	0,67	0,69	0,64	0,58	0,55
Individual	0,58	0,54	0,59	0,63	0,61	0,60

Source: by authors

The entrepreneurial attitudes pillars are the weakest component for all V4 countries but Poland. In fact, entrepreneurial attitudes are the highest for Poland in the transition countries. At the same time, the Czech Republic entrepreneurial attitudes are the lowest, even below the

transition country averages. It worth noting that the Opportunity perception pillar is generally the weakest pillar of the transition countries. Entrepreneurial abilities are the highest in Hungary and the lowest in Slovakia. Out of the three sub-index, it is Poland's weakest sub-index in particular due to the low rate of opportunity startups. Contrary to general believes, necessity startups are lower in the transition countries than in other non-transition efficiency driven economies. Human capital is the weak point of the Czech Republic. At the same time, Czech entrepreneurs are the best in technology absorption. Entrepreneurial aspirations are the strong sub-index for the transition countries and generally lower for the non-transition countries. Out of the five aspiration related pillars, Internationalization is the highest for the V4 countries. Product innovation and Risk capital are also high for the V4 countries except Hungary while all four countries are good in Process innovation and High growth. Examining the individual and the institutional components of the GEI it is clear, that all V4 countries have higher scores in the institutional component that can also be interpreted as the ecosystem for individual initiations. While the individual component is the lowest for Hungary and the highest for Slovakia, the difference between the individual and the institutional component is the highest for the Czech Republic. It seems that these countries should pay more attention to train its present and potential entrepreneurs to be able to exploit the opportunities provided by the countries' ecosystem

4. Conclusion

Transiting from the planned economy to a capitalist market economy used to be one of the hot research topics in the 1990s. The interest toward transition over time has somewhat decreased as the novelty has worn off. After 2004, when seven former socialist countries accessed to the European Union, most people thought that transition was complete. Since then Romania, Bulgaria, and most recently Croatia have also become full members of the European Union. The completion of transition can be recognized by the level of institutional development, reinforced by our analysis. However, transition countries are lagged behind similarly developed non-transition countries in terms of individual entrepreneurial initiation and capabilities.

In the 1990s, Czech Republic, Poland and Hungary, together with Slovenia were the forerunners of transition. Later on, Slovakia and the Baltic States couth up the leaders. By 2014, the Baltic States of Estonia, Latvia and Lithuania seems to be ahead of the V4 countries in entrepreneurship development, only Poland seems to be close to them. While the overall entrepreneurship development of the V4 countries match to other similarly developed countries, all four nations have some weak point that prevent further development. Examining the three sub-indices and the fourteen pillars of the V4 countries, it is interesting to see notable differences despite similar historical roots. These differences call for different, tailor made entrepreneurship policy as opposed to uniform policy steps focusing on the increased number of start-ups. For the Czech Republic, the attitude related opportunity perception and in particular cultural support seems to be weakest points. Slovakia is also weak in opportunity perception, however, Slovaks should focus more on improving the ability related opportunity startups and competition. Hungary faces problems in opportunity perception but the aspiration related product innovation and risk capital are also serious bottlenecks in Hungary. Poland has relatively good scores in attitudes and aspirations. At the same time Polish policy makers should pay attention to develop entrepreneurial abilities in particular opportunity startup and technology absorption

References

1. Acs, Z., Audretsch, D.B. (2010), "Introduction to the 2nd edition of the Handbook of Entrepreneurship Research", in Acs, Z. and Audretsch, D.B. (Eds.), *Handbook of Entrepreneurship Research: An Interdisciplinary Survey and Introduction*, second edition, International Handbook Series on Entrepreneurship, Vol. 5, pp. 1-19.
2. Acs, Z., Autio, E., Szerb, L. (2014), "National systems of entrepreneurship: Measurement issues and policy implications", *Research Policy*, Vol. 43, No. 3, pp. 476-494.
3. Acs, Z., Szerb, L., Autio, E. (2013), *The Global Entrepreneurship and Development Index 2013*, Edward Elgar Publishing, p. 352.
4. Aghion, P., Blanchard, O.J. (1994), "On the speed of transition in Central Europe", in *NBER Macroeconomics Annual*, Vol. 9, pp. 283-330. MIT, MIT Press.
5. Aidis R, Estrin, S., Mickiewicz, T. (2008), "Institutions and Entrepreneurship development in Russia: A Comparative Perspective", *Journal of Business Venturing*, Vol. 23, pp. 656-672.
6. Baumol, W. (1990), "Entrepreneurship: Productive, Unproductive, and Destructive", *Journal of Political Economy*, Vol. 98, No. 5, pp. 893-921.
7. Cieslik J. A. van Stel A. (2012), "Trends in Entrepreneurial Activity in Central and East European Transition Economies", Scales Research Reports H201202, EIM Business and Policy Research.
8. Earle, J.S., Estrin, S., Leshchenko, L.L. (1996), "Ownership structures, patterns of control, and enterprise behavior in Russia", in Gommander, S. Qimiao, F., Schaffer, M.E. (Eds.), *Enterprise restructuring and economic policy in Russia* (pp. 205-252), World Bank, Washington.
9. Estrin S., Mickiewicz T. (2010) Entrepreneurship in transition economies: The role of institutions and generational change, IZA Discussion Paper No.4805.
10. Hashi, I., Krasniqi, B. (2011), "Entrepreneurship and SME Growth: Evidence from Advanced and Laggard Transition Economies", *International Journal of Entrepreneurial Behaviour & Research*, Vol. 17, No. 5, pp. 456-487.
11. Kornai, J. (1990), *Road to a Free Economy*. Norton, New York.
12. Kornai, J. (1992), *The Rise of the Private Sector, "The Socialist System"*, Princeton University Press, Princeton, NJ.
13. McMillan, J., Woodruff, C. (2002), "The Central Role of Entrepreneurs in Transition Economies", *Journal of Economic Perspectives*, Vol. 16, No. 3, pp. 153-170.
14. Nikolova, E., Ricka, F., Simroth, D. (2012), "Entrepreneurship in the transition region: An analysis based on the Life in Transition Survey", EBRD Working Paper No. 141.
15. Sachs, J.D. (1996), "The transition at mid decade", *American Economic Review*, Vol. 86, No. 2, pp. 128-133.
16. Smallbone, D., Welter, F. (2002), "The distinctiveness of entrepreneurship in transition economies", *Small business Economics*, Vol. 16, pp. 249-262.
17. Tyson, L., Petrin, T., Rogers, H. (1994), "Promoting Entrepreneurship in Eastern Europe", *Small Business Economics*, Vol. 6, No. 3, pp. 165-184.
18. Van der Zwan, P., Verheul, I., Thurik, R. (2011), "The Entrepreneurial Ladder in Transition and Non-Transition Economies", *Entrepreneurship Research Journal*: Vol. 1: Iss. 2, Article 4. Available at: <http://www.bepress.com/erj/vol1/iss2/4>

COMPETING IN A SMART WORLD

György BÖGEL

CEU Business School, Budapest, Hungary

E-mail: bogelgy@ceubusiness.org

Summary: As the real and the digital worlds are converging and Big Data is flooding everywhere in business and society, new opportunities appear on the horizon of active and would-be entrepreneurs. Agile ventures may disrupt existing markets and can create new ones. Thanks to sensors, unlimited computing capacities, clever algorithms, machine intelligence and many other technical tools, smart systems are built everywhere. The related business opportunities can be identified and described by the help of an activity-sector matrix. The logic of this framework is to be explained, practical examples demonstrate how the smart ecosystem is evolving, and how small and medium-sized companies compete in this field. Business ventures must develop strategies for succeeding in the new digital and data-rich environment, must take care of their digital capabilities, and last but not least have to demonstrate strong leadership in planning and execution. Agriculture is also in digital transition, many companies invest in digital capabilities all over the world, representatives of smart or precision agriculture lead the transformation.

Keywords: smart systems, big data, strategy, entrepreneurship, information technology, smart agriculture

1. Introduction

Mu Sigma Inc. is one of the fastest growing companies of the world now. It was founded by the former consultant Dhiraj C. Rajara in 2004. The company's name is derived from the statistical symbols „Mu” (mean) and „Sigma” (standard deviation).

The name is a message for the market: the company is a master of data-driven analytics and related decision support systems. Mu Sigma, headquartered in Chicago and operating its main delivery center in Bangalore (India) works for many Fortune 500 companies nowadays. By the help of its analytical services, customers can make better predictions about future demand for their products, can increase the efficiency of their processes, the insight generated by data-based models help them to identify and manage risks, to implement growth strategies and to reduce costs. Mu Sigma is active in many industries including airline, entertainment, healthcare, retail, technology, telecom, etc. It managed to attract the interest of investors, raised its first institutional investment round of \$30 million from FTVentures and the second one of \$25 million from Sequoia Capital, the flagship venture fund of Silicon Valley.

Mu Sigma represents a new breed of knowledge-based private ventures of the fast developing *Big Data* world. 2004, the year when it was founded, closed the “nuclear winter” of the IT industry, a period after the dotcom crisis when many internet companies went bankrupt and technology investment hit the bottom. Fortunately technological progress did not stop in this period, technology entrepreneurs and investors learned a lot from the crisis and company failures (Bögel, 2015: chapter 6). The widespread enthusiasm of the late nineties did not return, business thinking became more realistic and cautious, but pessimism gave way to optimism, and the vital role modern information technology and innovation may play in business strategy became really apparent for many decision makers.

The content of business strategies has also changed: as the economy has been moving out of the financial crisis by the end of the new century's first decade, the focus is no longer on cost

savings and economic efficiencies but rather on growth and technology's potential for business transformation (Davenport, 2014). Technology innovation, lessons learned during the crisis, and new growth opportunities - all these factors mixed together generate a fertile environment for SMEs.

2. Birth of the Big Data phenomenon

Some technologies have matured enough to enable traditional and new businesses in many areas. Let's see just a few examples. Computers are more powerful now, networking is global and ubiquitous. Companies, especially new ones do not have to build and maintain their own ICT infrastructure because cloud computing became an accepted platform. Instead of buying expensive server farms companies can simply rent computing and storing capacities from huge data centers and pay by usage. Capacity and service prices are decreasing continuously thanks to competitive forces. Service models combined with mobile tools increase business flexibility and adaptability. Digitization is a massive trend everywhere, more and more physical objects, tools, machines and other devices are equipped with electronics, computing and communication capabilities (Gleick, 2011). The "internet of things" is growing faster than the "internet of people", billions of cars, production tools, household devices, sensors, etc. will be connected to the network in the near future, connectivity and data will get cheap and globally accessible. Many organizations have already built their "digital nervous system", installed ERP, CRM, SCM and other company applications, streamlined their processes by digital transactions. Sensor and identification technology has developed a lot.

Datafication of the world is in progress, and this process looks to be unstoppable (Baker, 2008). Progress in infrastructure and software improved the ability to collect data throughout the enterprise and complex international supply chains. Virtually every part of modern organizations and their environment is open now to data collection. This almost unlimited availability of data has led to the so called *Big Data* phenomenon and raised the interest in methods for extracting useful information and knowledge from huge and permanently growing datasets of enormous volumes and high variety (Barabási, 2010).

Data became a key business asset; data management and analysis are business capabilities of high importance. Companies and other organizations try to exploit data for competitive advantage, better customer understanding, designing and launching new products and services. The data-centered convergence of important digital technologies has given rise to modern data science and powerful data-mining techniques (Fajszki, Cser and Fehér, 2010).

The main promise of the Big Data phenomenon is the ability to build *smart systems* everywhere (Mayer-Schönberg and Cukier, 2013). Smartness stems from a combination of comprehensive, relevant and real-time data, sophisticated analytical algorithms, efficient decision support, fast and effective execution. Cutting-edge smart systems are not only smart but capable for learning and self development. Smart systems pop up everywhere, more and more things get a "smart" prefix before their name: smart commerce, smart manufacturing, smart agriculture, smart town, smart commerce, etc.

3. New entrepreneurial space

The potential for designing and building smart systems opens a new entrepreneurial space. Many of these opportunities will be spotted and utilized by new ventures which will start to compete with industry incumbents. Smartness, namely the ability to collect and digest Big Data for insight, prediction, innovation and improvement may have a transformative impact on many sectors, may change the nature of competition and even disrupt some industries.

The aforementioned company, Mu Sigma is focusing on statistical analysis and modelling, as key components of this new entrepreneurial space. Its fast growth properly illustrates the market's potential. This opening and growing space can be described as a two dimensional matrix of activities and sectors.

The first dimension represents the following logically ordered imbedded activities of functioning smart systems:

- Selecting a subject and identifying its problems or needs for improvement
- Translating the problems to the language of data science
- Collecting relevant data on the system and its environment
- Mixing the collected data with other accessible relevant and valuable data
- Transferring the data to a place where the necessary computing power, storage capacity and data management knowledge is available
- Analyzing the data, building decision-support models
- Operating the models for insight and decision support, presenting findings and recommendations to decision makers.
- Implement the decisions, changing and developing the selected system, measuring and evaluating the results.
- Closing the loop, using the acquired experience for learning, improving the activities listed above.

The second dimension is for the sectors which may benefit from the development and spreading of smart technologies: trade, manufacturing, finances, government, healthcare, agriculture, education, marketing, etc. Mu Sigma concentrates on data analytics and modelling, but otherwise it is sector-free that is it may serve anybody who has a problem which can be approached with data analytics tools (Provost and Fawcett 2013).

Let's take another example from agriculture what is a vertical sector of the entrepreneurial space outlined above. The Hungarian QuantisLabs' SmartVineyard system is predicting grape diseases with modern tools of data collection and data-based decision support. The system captures real-time microclimatic data with a set of sensors. The data is transferred to the cloud where smart, scientifically tested algorithms calculate the probability and the intensity of local grape diseases, then properly visualized real-time forecasts and alerts are presented to vine-growers, who can expect higher productivity and lower costs. Human decision-making and intervention (e.g. spraying chemicals) is an integral part of this system, but data collection, transfer and analytics is automated.

Big incumbents like IBM try to cover almost all the horizontal (activities) and vertical (sectors) parts of the entrepreneurial space of smart systems. Some of them design and build complete smart towns with many modern data-based services. One of the leading examples is Santander, a Spanish coastal town where thousands of installed sensors feed the smart algorithms providing support to the city's inhabitants. The systems' main designer and operator is Telefónica, a Spanish broadband and telecommunications provider with a global presence. In Hungary, the large ICT incumbent Hungarian Telekom is building the infrastructure for smart town services in Szolnok and Nyíregyháza.

Small and medium-sized companies, and especially startups try to focus on specific activities or vertical subsectors. Let's stay in agriculture for another example. Blue River Technology, established by a group of university students developed and integrated and automated machine for lettuce thinning. The machine, moving rather fast over straight rows of small lettuce plants collects data via digital photographs, then a smart algorithms decides what to keep and what to cut. Execution is also automated: unnecessary plant are killed with precisely aimed shots of fertilizers.

Because of the complexity of smart systems, design, implementation and operation is typically done in partnerships. The network of cooperating partners may be very colorful.

Customers of Airinov, a French venture founded in 2010, a remote sensing pioneer use a drone for collecting real-time high resolution data about their crops, while the results of the analysis is fed into the computer of their multipurpose John Deere tractors for direct execution. This combination of agricultural an information technology, hardware and software, sensors, drones and tractors is a good example for a fast growing area called precision or smart agriculture. It a growing and dynamic sector, booming worldwide but still in its infancy: contributors must do a lot for integration, joint platforms must be built, key standards have to be accepted and disseminated.

4. The evolution of the new entrepreneurial space

What can we expect for the future? Here are a few points for consideration:

- The development of information and communication technologies in general, and the Big Data phenomenon in particular open a new entrepreneurial space in the economy. The evolution of fundamental technologies (sensors, internet of things, cloud computing, machine learning, artificial intelligence, etc.) is very fast. New opportunities appear everywhere, while old sectors and companies may be disrupted.
- Old and new companies must compete in an emerging smart world where Big Data is a decisive asset, sophisticated algorithms support decisions, and execution is increasingly automated.
- This new environment provides unique opportunities for new ventures and SMEs. Organizations try to find their niche in the entrepreneurial space and concentrate on some components. Permanent innovation and integration into bigger smart ecosystem are key success factors.
- The best ventures may raise the attention of venture investors. Capital is needed for scaling up and going international. The evolution of smart system is an important factor behind the present “startup fever”.
- Companies need vision and leadership for competing successfully in the rising smart world (Brynjolfsson and McAfee, 2014). Decision makers and entrepreneurs must learn how to manage their organization’s data assets professionally, how to launch new data-based products and services. A growing number of organizations of different size will employ data experts, data scientists or will buy data-related services from specialists.

The evolution of smart agriculture may be slower than that of other sectors, but the number of experiments and promising examples is growing. Hungary’s agricultural capabilities and traditions mixed with modern information technology may provide fertile soil for innovative and entrepreneurial companies.

References

1. Baker, S. (2008): *The Numerati*. Jonathan Cape, Random House, London
2. Barabási, A. L. (2010): *Villanások*. Nyitott Könyvműhely, Budapest
3. Bögel, Gy. (2015): *A Big Data ökoszisztémája*. Typotex Kiadó, Budapest
4. Brynjolfsson, E., McAfee, A. (2014): *The Second Machine Age*. W. W. Norton & Company, New York
5. Davenport, T. (2014): *Big Data @ Work*. Harvard Business School Publishing, Boston
6. Fajsz B. , Cser L., Fehér T. (2010): *Üzleti haszon az adatok mélyén*. Alinea Kiadó - IQSYS, Budapest

7. Gleick, J. (2011): *The Information*. Fourth Estate, London
8. Mayer-Schönberger, V., Cukier, K. (2013): *Big Data: A Revolution That Will Transform How We Live, Work, and Think*. Houghton Mifflin, New York
9. Provost, F., Fawcett, T. (2013): *Data Science for Business*. O'Reilly Media, Sebastopol

THE CHOSEN DETERMINANTS OF E-ENTREPRENEURSHIP DEVELOPMENT

Dorota JELONEK

Czestochowa University of Technology, Faculty of Management, Czestochowa, Poland

E-mail: jelonek@zim.pcz.pl

Summary: Changes in the external environment are a strong antecedent of entrepreneurship. Emergence of the Internet was one of the most important changes in the business environment, which has extended from the traditional market to market space on the Internet. These changes initiated change from entrepreneurship model to the model of e-entrepreneurship. e-Entrepreneurship is defined as a subcategory of entrepreneurship, targeted at the digitization (virtualization) of some or all of the business activities and processes, which in a traditional organizations were implemented by physical means.

e-Entrepreneurship is characterized by active search for change and quick respond to them, seizing opportunities and ways to implement innovations and new technologies including internet technologies, that change business models towards e-business models.

Enterprises which cooperate with a customer and create permanent relations with client acquire in such a way valuable source of inspirations for its future e-entrepreneurship behaviors. Customers can be helpful in searching for opportunities, in the perception of market changes, in creation of ideas and innovations.

This consideration positively verified the hypotheses: the management of relations with customers including management of communication with a client process and the process of innovations' co-creation with a customer are crucial determinants of e-entrepreneurship behaviors development of enterprises.

Keywords: e-entrepreneurship, innovation, customer cooperation

1. Introduction

There is a variety of roles for the Internet in the e-entrepreneurship development. The Internet provided unique capability, such as to collect data, to keep contact with customers, create new relationship, to manage customer relationship and to seek customer –innovators. e-Entrepreneurship and e-business idea based on Internet functionality, often with novel and innovative business concepts, and could not exist without this functionality.

e-Entrepreneurship is defined as a subcategory of entrepreneurship, targeted at the virtualization of some or all of the business activities and processes, which in a traditional organizations were implemented by physical means.

Previous research on understanding entrepreneurship has been influenced by two schools of thought: personality traits, and the need to achieve; and contingency thinking, influenced by the environment and situation (Littunen, 2000). The meaning of predispositions and personal features of entrepreneurship for the development success of new ventures was indicated in (Robbins and Pearce, 1993), (Littunen, 2000).

The other authors say the structure of the industry and the nature of the venture strategy, which includes the revenue model and the use of technology, is of equal importance to the success of new ventures (Gartner et al., 1999).

Factors conditioning the development of the entrepreneurship can be assigned to two groups: socio-economic factors and personal factors. Socio-economic factors include the economic conditionings, legal, cultural and the external environment. Personal factors include demographic conditions and personality predispositions and features of entrepreneur.

Identifying factors influencing development of e-entrepreneurship the above list should be necessarily complemented with technological factors, especially the utilization of internet technologies and factors connected with the creativity and innovativeness of employees and external subjects e.g. customers.

Organizations need to learn how to develop e-entrepreneurial competences, how to make innovations and how to transform into flexible and dynamic organizations. With entrepreneurial orientation, companies have better opportunities to boost their business activities through introduction new products, entering into new markets, implementing new business processes and system transformations (Bratnicki, 2008).

E-enterprising organization is characterized by:

- the democratic and participatory style of organization's management,
- decentralized organizational structure,
- the utilization in the greatest degree of possibilities offered by internet technologies ,
- the efficient communication system inside the organization (intranet solutions),
- the efficient system of communication with the environment (the Internet),
- virtualization of business processes,
- implementation of new e-business models,
- the management of information,
- the customer relationship management,
- the aspiration to the creation of the enterprising culture,
- the aspiration to the creation of organizational climate accepting changes,
- the openness on the creativity of employees and proposed by them ideas of innovation.

Entrepreneurship is primarily based on technological innovations which improve communication and accelerate exchange of information. For this reason, every entrepreneur should think how to innovate their business model and face the challenges of entry into the digital world.

2. Innovations co-created with a customer

The effective creation and implementation of innovations in the organization is a subject of numerous theoretical considerations and empirical research (Drucker, 2006), (Pachura, 2012), (Skowron- Grabowska, 2013).

Innovations with the customer are created within the framework of the model of open innovations (Jelonek, 2012), (Boudreau and Lakhani, 2009). An idea of open innovations is the usage of inflows and outflows of knowledge for the purpose of the acceleration of internal innovative process and the enlargement of the external market for the utilization of this innovation (Chesbrough, 2003). The concept of the engagement of customers into the process of innovation creation gains more and more supporters also in practice. We observe changes in the interaction between the customer and the enterprise in the communication and in co-creation of innovation. The Internet facilitates consumers taking the role of co-creators of product, marketing, organizational and process innovations.

An important factor supporting development of enterprising behaviours is the organizational culture which accepts and favours to enterprising behaviours. Hooijberg and Petrock (1993) call this type of organizational culture as entrepreneurial culture. According to Sun and Xu entrepreneurial culture is characterized with high levels of risk taking, dynamism, and creativity (Sun and Xu, 2012). One apparent attribute of this culture is that it creates change, rather than just quickly react to changes in the environment. Effectiveness under this culture means providing new and unique products and rapid growth.

In the context of development of cooperation with the customer entrepreneurial culture should create its own kind of the frame, designs and norms of conducts with customers from which

information were received and concerning e.g. the opinion about products, services or processes of customer service or proposals of innovative solutions, or indication of the gaps in the market offer.

3. Process innovations co-created with a customer

Process innovations concern introduction of changes in applied by the organization methods of production, and also in the ways of reaching with a product to recipients. In the greater scope process innovations concern changes in all business processes realized in the enterprise. In case of e-enterprising processes changes most often concern virtualization of these processes, that is processes as a whole, embracing all activities and assignments or which are partially realized with the use of internet technologies. Process innovations raise efficiencies of processes and finally make for increase of profits or achievement of competitive advantage and outdistancing of competitors. Process innovations in the organization may concern:

- Virtualization of ordering process
- Virtualization of payment process (mobile payments)
- Virtualization of communication with customers process – communication innovations
- Virtualization of communication with suppliers process
- Virtualization of marketing activities (e-marketing)
- Existence or increase of company's activity in social media

Every information received from the customer can be important, and even if this received information is not crucial, then maybe the next one from this customer will be an idea which will revolutionize current business activity of the enterprise. However in order to happen it in such a way the customer must receive the feedback information at the first attempt and must know that the company does not disregard his or her opinion. The rule should be constituted by the frankness of the employees and the company related to the relations with a customer and treatment of him/her not only as a purchaser but the partner in creating of innovative ideas in business processes, especially concerning process virtualization and development of e-business models.

4. Research method

The study was carried out in January – February 2015. The study involved five companies from food processing industry (2 – fruit and vegetable processing, 1 – dairy processing, 2 – meat processing). They were all medium sized companies, that employ up to 250 employees. A method of a guided interview was used in the survey. Scenario of the interviews with manager of each company was the same. The interviews were carried out with the managers of the strategic level and with the managers in the divisions of sales, marketing, production and production technologies. There were between 7-11 respondents, depending on the company. This made 47 respondents in total.

The aim of this study is to verify the following hypotheses:

H1: The management of relations with customers including management of communication with a client process and the process of innovations' co-creation with a customer are crucial determinants of e-entrepreneurship behaviours development of enterprises.

H2: Cooperation with customers is a crucial determinant of business processes virtualization and significantly and positively influences on the market performance of the enterprise.

5. Data analysis

All the managers interviewed agreed that the enterprises cooperate with customers very well, care for relations with customers and appreciate their role as innovators.

The assessment concerned implementation and cooperation with customers in the field of e-entrepreneurial processes. Scale: 1 - unimportant, 2 - insignificant importance, 3 - moderately important, 4 - important, 5 - very important.

Respondents' answers to questions about e-entrepreneurial process implemented in companies are presented in Table 1. The average values for obtained answers are presented in last column in Table 1.

Table 1. Identification of realized e-entrepreneurial processes and cooperation with customers

e-Entrepreneurial process	Was the process implemented ?		Was it implemented in cooperation with customers?		The impact of cooperation with customers on the market performance
	Yes	No	Yes	No	
Virtualization of ordering process	15%	85%	15%	85%	3,9
Virtualization of payment process (mobile payments)	15%	85%	21%	79%	3,4
Virtualization of communication with customers process – communication innovations	77%	23%	34%	66%	3,9
Virtualization of communication with suppliers process	38%	62%	4%	96%	1,4
Virtualization of marketing activities (e-marketing)	100%	0%	79%	21%	4,8
Existence or increase of company's activity in social media	96%	4%	96%	4%	4,8

Source: The own study based on the result of research

The customers are mostly engaged in process existence or increase of company's activity in social media. 96% respondents confirmed that this process was realized in the enterprise and all of them equally high evaluated the participation of customers both on the stage of initiation as and the realization of process. Virtualization of marketing activities (e-marketing) process was realized in all enterprises (100% positive answers), and the commitment of customers was confirmed by 79% of respondents.

Respondents at most (4,8) evaluated the impact of cooperation with customers on the market performance in virtualization of processes: virtualization of marketing activities (e-marketing) and existence or increase of company's activity in social media.

Cooperation with a customer has the lowest influence (4% positive answers) on virtualization of communication with suppliers process. Also the impact of cooperation with customers on the market performance in case of this process was evaluated as lowest (1,4).

In response to suggestions and ideas of customers the process of virtualization of communication with customers was also realized, including communication for the purpose of co-creating of innovation. 34% of answers confirmed the commitment of the customer in virtualization of these processes.

6. Conclusion

The data analysis of gained from respondents data allowed to positively verify the hypothesis that the cooperation with customers is essential determinant of virtualization of business

processes and indeed, positively and significantly influences on market performance of enterprise. Taking cooperation with the customer should be treated as taking into account a new process which will be realized like other business processes. On the efficiency of this process an influence have the efficient customer relationship management, especially relations with customers who want to submit the organization their own opinions, comments and ideas on innovations.

The commitment of the organization into the cooperation with customers demands the incurrance of sometimes large financial outlays, outlays of the time and other resources of the organization. Organizing the process of cooperation with customers one ought to keep a balance among outlays and prospective profits from implemented innovations.

Moreover, positively was verified the hypothesis: the management of relations with customers including management of communication with a client process and the process of innovations' co-creation with a customer are crucial determinants of e-entrepreneurship behaviours development of enterprises.

References

1. Boudreau K.J., Lakhani, K.R. (2009): How to Manage Outside Innovation. *MIT Sloan Management Review*, 50(4), p. 68-76.
2. Bratnicki M. (2008): Configuration Approach to Organizational Entrepreneurship, *Economics and Organization of Enterprises* (Konfiguracyjne ujecie przedsiebiorczosci organizacyjnej, *Ekonomika i Organizacja Przedsiębiorstw*), 6(701), p.17-22.
3. Brzóska J. (2014): Innovations as a factor dynamizing business models (in Polish), Wydawnictwo Politechniki Śląskiej, Gliwice.
4. Chesbrough H. (2003): The Era of Open Innovation, *MIT Sloan Management Review*, 44/3, p.35-41.
5. Drucker P. (2006): *Innovation and Entrepreneurship*, HarperBusiness.
6. Gartner W.B., Starr J.A., & Bhat S. (1999): Predicting New Venture Survival: An Analysis of 'Anatomy of a Start-up' Cases from Inc. Magazine, *Journal of Business Venturing*, 14(2), p. 215-232.
7. Hooijberg R., Petrock F. (1993): On cultural change: Using the competing values framework to help leaders execute a transformational strategy. *Human Resource Management*, 32, p. 29-50;
8. Jelonek D. (2012): The Role of the Internet in Open Innovations Models Development, *Business Informatics*, 1(23), p. 38-47.
9. Jelonek D. (2013): *Entrepreneurship and e- entrepreneurship*, in: Knowledge and IT in Entrepreneurship Creation Process, (*Przedsiębiorczość a e-przedsiębiorczość*, w: Wiedza i technologie informacyjne w kreowaniu przedsiębiorczości), edited by Adam Nowicki, Dorota Jelonek, Published by Faculty of Management, Czestochowa University of Technology, Czestochowa, p. 95-97.
10. Littunen H. (2000): Entrepreneurship and the characteristics of the entrepreneurial personality, *International Journal of Entrepreneurial Behaviour & Research* , 6(6), p. 295-309.
11. Pachura A. (2012): Innovation theory – an epistemological aspects, *Polish Journal of Management Studies*, 5, p.127-134.
12. Robbins D.K., Pearce, J.A.II (1993), Entrepreneurial Retrenchment Among Small Manufacturing Firms, *Journal of Business Venturing*, 8(4), p. 301-318.
13. Skowron-Grabowska B. (2013): Innovation Activity of Companies: Theoretical and Practical Issues, *Transfer Inovacji*, 12, p. 212-216.
14. Sun A.S., Xu Z.(2012): Cultural Values and Their Challenges for Enterprises, *International Journal of Business Administration*, 3(2), p.68-73.

CONSUMER NEUROSCIENCE SOLUTIONS: TOWARDS INNOVATIONS, MARKETING EFFECTIVENESS AND CUSTOMER DRIVEN STRATEGIES

Elena HORSKÁ¹, E.S. MARGIANTI², Jakub BERČÍK³, Jana GÁLOVÁ⁴

^{1,3,4}Slovak University of Agriculture in Nitra, Slovakia

²Gunadarma University, Depok, Indonesia

E-mail: elena.horska@gmail.com

Summary: Consumer neuroscience is a phenomenon that has become an important tool of marketing management when defining customer driven strategies. It helps to uncover hidden customer reactions and identify relations between internal emotions and external consumer manifestation and buying behaviour. The paper clarifies the position of neuroscience in the system of academic research and education on the one hand, and commercial research on the other. The description of realized neuromarketing research provides space for identifying areas of implementation and development of neuromarketing approaches in the practice of academic and commercial research. Within the framework of innovative approaches we consider the possibility of using interdisciplinary relations and new technologies, including augmented reality for qualitatively higher level of consumer studies.

Keywords: Neuroscience, Emotions, Consumer behaviour, Innovations, Commercial research

1. Introduction

Consumer neuroscience is a phenomenon that has become an important tool of marketing management when defining customer driven strategies. It helps to uncover hidden customer reactions and identify relations between internal emotions and external consumer manifestation and buying behaviour. Detailed mapping of consumer behaviour and responses gains importance in recent years as a result of global economic problems and financial recession, when consumers reassess the volume and financial costs of their purchases more than ever. On the other hand, technological innovations affect the qualitative level of consumer surveys as well as the forms of marketing communication.

This paper is the result of primary and secondary research within the national research project VEGA 1/0874/14 "Use of Neuromarketing in Visual Food Merchandising" and international education project Erasmus + Strategic Partnership "Food Quality and Consumer Studies" Nr. 2014-1-SK01-KA203-000464. Also, this work was co-funded by the European Community under the Project No. 26220220180 "Building Research Centre Agrobiotech".

2. Methodology

The research paper is based on the study of current knowledge in the following areas:

- Neuroscience, neuroeconomics, neuromarketing;
- Sensory marketing and aroma marketing;
- Visual merchandising;
- Virtual and augmented reality.

The study results in defining the relations between different fields and the possibility of using interdisciplinary knowledge to increase the information value of consumer studies and their use for creating marketing strategies.

In the next part of the paper, we define possible relations between the academic and commercial research and design the structure of research activities in the field of marketing and consumer studies. In the conclusion, the paper presents several examples of primary data collected from neuromarketing research which can be used in academic and commercial practice.

3. Results and discussion

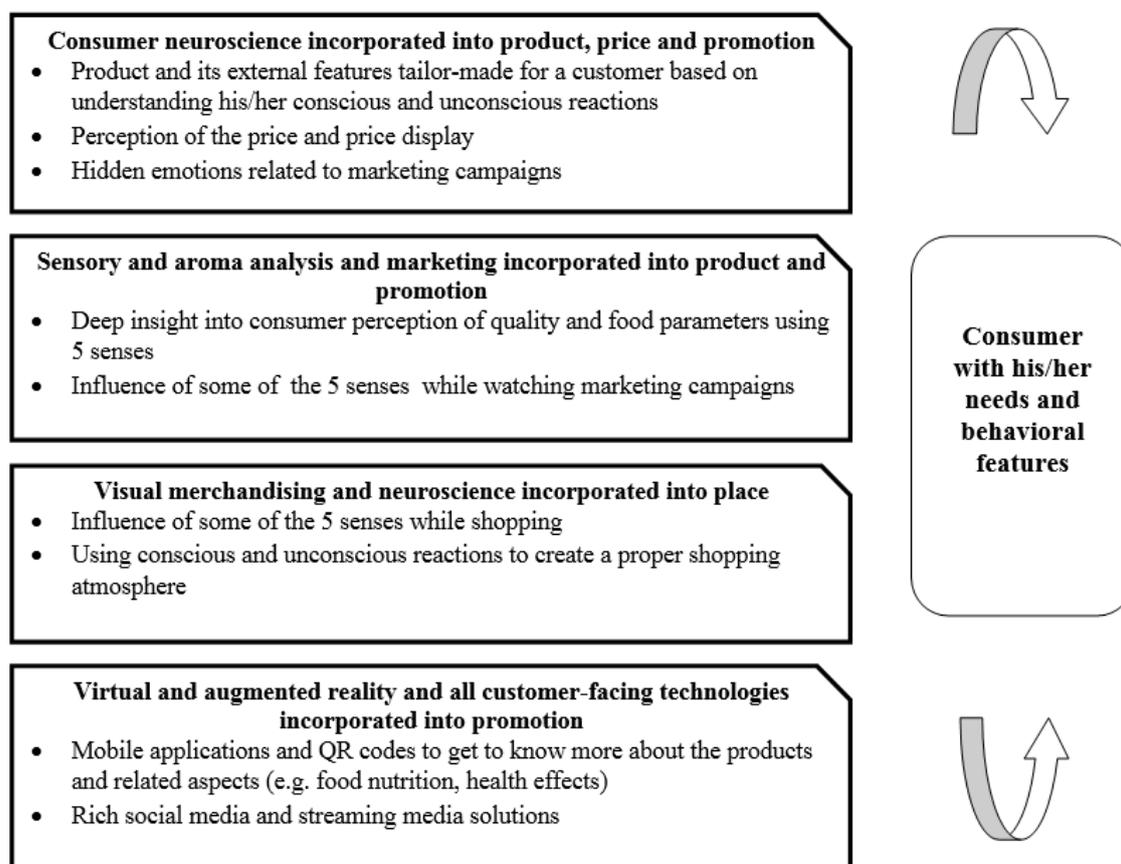
The combination of neuroscience, research and technologies reflects the current need for innovative solutions for any markets with respect to technical, technological and communications development (new methods for examining the customer – high-tech innovative solutions and analysis of measurement systems in the areas of brain, cognition, psychology and behaviour, augmented – virtual reality in the communication with the customer).

If we consider the enrichment of basic approaches to examining the consumer and creating customer-driven strategies, we need to realize in which areas we can apply technological advances and in what direction. Lindstrom (2009) points out that today, thanks to advanced new tools and technologies that businesses have available and current research in the field of consumer behaviour, cognitive psychology and neuroscience, companies are aware of what affects customers much more than we can imagine. Scans of the human brain reveal the deepest subconscious fears, dreams, vulnerabilities and desires. The brain activity of the consumer speaks about the true intentions of his buying decision. The aim of linking the classical understanding of marketing, new technologies and interdisciplinary relations is primarily a targeted focus on influencing consumer behaviour, respectively, creating the need with a following strong desire to satisfy it. The various options are shown in Figure 1.

We took into account the four tools of marketing mix (namely product, price, place and promotion) with the aim of their most effective use and positioning (Nagyová, 2014). From the category of new technologies and interdisciplinary relations, we used sensory analysis, sensory marketing, aroma marketing, neuroscience, virtual and augmented reality and visual merchandising. We confronted our effort for a synergic effect by linking existing and new approaches with current trends and development in the field of marketing and marketing technologies, where we considered the following assumptions and predictions:

- Marketers must always look for new sources of differentiation. In the coming years, most companies expect to compete primarily in customer experience. There is a prediction that in 2016 customer experience will reach the highest level of marketing investment.
- New marketing technologies have to be designed and implemented as "all customer facing technologies" including e.g. artificial intelligence or virtual assistance for marketing purposes.
- New technologies and deep customer insights have to bring value for both companies and customers.
- In spite of globalization, marketing will shift to personalization and it will become more regionalized, localized or individualized. Even though economics of scale is a big asset, companies will decentralize their structures and will try to increase regional and local influence.
- Social media and virtual reality will request not only generally declared customer oriented approach but also "mobile friendly approach" and streaming media solutions.

Figure 1: Enrichment of marketing by consumer neuroscience, interdisciplinary relations and new technologies (applied on food marketing)



Source: Authors' own research and design, 2015

As written by Hill & Simon (2010), all human beings use three part brain: visual, emotional and rational. This gives the answer to differences between emotional versus verbal response of customers/respondents in many research action situations. Such limitations of traditional research can be overcome by using new research techniques from the field of neuromarketing and consumer neuroscience:

- *Facial Coding* measures how people feel. The human face registers a wide variety of emotional states. Facial expressions can be read at the level of observable changes (e.g. while eating, drinking, testing some food samples) and at the level of unobservable micro-muscle changes (positive or negative emotional responses).
- *Eye Tracking* measures what people see. It has wide variety of uses in neuromarketing as it provides valuable indications of interest, attention and attraction.
- *Electroencephalography (EEG)* accounts the most popular neuromarketing technology because of its relatively low costs and manageable equipment requirements (Genco, Pohlmann & Steidl, 2013). It can measure moment-to-moment changes and identify memory activation in real time.
- *Functional magnetic resonance imaging* is considered as the best standard method for neuroscientists, but at the same time as the least practical. In consumer neuroscience (the academic neighbouring discipline to neuromarketing), functional magnetic resonance imaging has been used to study branding, advertising, shopping and entertainment.

Another innovative element we can connect with marketing is sensory and aroma marketing. The basic idea is to introduce five senses (sight, smell, sound, taste, and touch) in relation of their use in designing marketing strategy. Marketers mostly appeal to sight and sound. At the

same time, 99 % of all brand communication focuses on sight and sound. However, in many cases, sound and smell are more effective than sight when branding a product or organisation. Also, visual images are more distinctive when matched with a second sense (Lindstrom, 2009). Sensory marketing, from the viewpoint of using five senses for creating better customer driven strategies, can enrich the interdisciplinarity in traditional marketing.

The topic of augmented reality has not yet been included in the syllabus of marketing or marketing communication at most of the universities. Augmented reality (AR) is a live direct or indirect view of a physical, real-world environment, elements of which are augmented (or supplemented) by computer-generated sensory input such as sound, video, graphics or GPS data, or simply saying additional information. By contrast, the virtual reality replaces the real world with a simulated one.

4. Conclusion and recommendation for further studies

University education represents the highest form of formal education. Universities have to prepare professionals for the job market and implement innovative solutions into practice. For this purpose, universities should have access to quality and modern curricula and methodologies, reflecting the development in the society, research and industry. Our recommendation for further studies is to provide facilities for academic and commercial research and training the students.

References

1. Genco S.J., Pohlmann A.P. & Steidl P. (2013): *Neuromarketing for Dummies*. John Wiley & Sons Canada, Mississauga, 408 p. ISBN 978-1-118-51858-8.
2. Hill D. & Simon S. (2010): *Emotionomics: Leveraging Emotions for Business Success*. Kogan Page, London, 368 p. ISBN 978-0-7494-6189-8.
3. Lindstrom M. (2009): *Nákupologie*. Computer Press, Brno, 231 p. ISBN 978-80-251-2396-6.
4. Nagyová L. et al. (2014): *Marketing*. SPU VES, Nitra, 460 p. ISBN 978-80-552-1269-2.
5. McLellan L. (2014): *5 predictions for marketing in 2016*. Available at: <http://blogs.gartner.com/laura-mclellan/5-predictions-marketing-2016/> (26 April 2015)

KEY FACTORS OF A SUCCESSFUL RESTAURANT STRATEGY IN HUNGARY*József LEHOTA¹, Erika KÖNYVES², Anna DUNAY¹**¹Szent István University, Gödöllő, Hungary**²University of Debrecen, Debrecen, Hungary**E-mail address: Lehota.Jozsef@gtk.szie.hu*

Summary: Eating out is a popular form of entertainment all over the world; the food service sector is one of the most dynamically growing sector of our times. Dining trends are changing, new styles and catering forms appear, and disappear, the consumers' choice is influenced by many factors. The financial and economic crisis, which was started in 2008 has brought a remarkable declining tendency of the sector worldwide, resulted by the impacts of recession, the squeezed incomes, and the rising food costs, but nowadays a significant recovery may be seen in developed countries. The role of eating out in Hungary differs significantly from Western European markets in many aspects: customers' habits, trends, physical facilities, financial background etc. The changes of the economic environment has brought new challenges for the players of the sector even in well-developed countries, they should check and re-think their business strategies. The aim of our research was to detect and evaluate those factors which may help in the development of successful strategy for restaurants in Hungary. Based on the results of our survey it may be stated that the key success factors of restaurant strategy are the proper selection of target group, and the right service level, communication and atmosphere. These findings may set the directions to be followed in the strategic planning process of the representatives of the whole sector.

Keywords: eating out, restaurant selection, consumer behaviour, strategy.

1. Introduction – the theoretical framework

The eating-out-of-home market is dominated by 10 countries, this Top 10 form the main trends of the market. Their joint market share was 935 billion USD in 2010. The ranking of the countries based on their market share is the following: USA 40%, Japan 11%, UK 8%, Germany 8%, Italy 8%, France 8%, Spain 6%, Canada 5%, Australia 4%, and China 3%. The ratio of eating out compared to total food spending falls between 10 and 55%, the highest is in Japan and in the USA (above 50%). (www.food-service-europe.com, 2011)

The two main markets differ significantly considering the ratio of independent food service units and domestic and international chains, and the structure of forms of eating out show also remarkable differences.

Table 1. Proportion of forms of eating out based on the distribution of spending in the US and in Western Europe (2010)

Forms of dining	United States %	Western Europe %
Restaurants	42	43
Cafés and bars	9	33
Fast food restaurants	42	14
Home delivery	4	5
Self-service restaurants	0,4	3
Street food and kiosks	2	2

Source: Eurobarometer, 2011.

The most significant differences are in the categories of fast food restaurants and cafés/bars. While fast food restaurants are dominant in the US, the role of cafés/bars is highly important in Western Europe. The main Western European markets also show significant differences in the proportion of forms of eating out.

The financial-economic crisis that begun in 2008, caused a remarkable decline in both North American and Western European markets, and according to forecasts this trend will continue (Eurobarometer, 2011).

The role of different forms of eating out in Europe can be summarised in the following four statements:

- The out-of-home market is fragmented, not concentrated, the aggregated share of the Top 10 participants was 14% in France and 25% in the UK in 2007.
- The increasing role of food service chains is a remarkable trend, which is principally caused by the concentration of dining-related activities.
- Traditional restaurants mainly rely on the following types of suppliers: C+C retail chains and general or special wholesale companies, while the majority of food service chains build up concentrated procurement systems.
- As the effect of the financial-economic crisis of 2008, the sizes of the main markets and the leading forms of food service decreased or stagnated, causing great price and cost pressure, which led to the increasing role of price reductions and coupons.

The main dilemmas of eating out-of-home and consumer behaviour are:

- Making a balance between health requirements and pleasure.
- Increasingly building on local, cultural traditions.
- Providing speciality in ingredients.
- Taking into account the aspects and criteria of environmental, social and ethical sustainability.
- Development of food quality; the main directions are freshness, minimal processing, organic food, etc.
- Building and strengthening strategic relationships with suppliers.
- Supporting real and local charity efforts.

Trends of consumer behaviour in moderately developed countries like Hungary show up with a delay of approximately 5-10 years. The LOHAS (Lifestyles on Health and Sustainability) lifestyle segment is already traceable in Hungary, its core group makes out 4% that adds up until 21% with their followers. Beside natural and market sustainability they consider (corporate and consumer) ethics also as important factor (RÁCZ and LEHOTA, 2014).

2. Eating out of home in Hungary

2. Eating out of home in Hungary

The role of eating out in Hungary differs significantly from Western European markets in more aspects. The rate of spending on eating out (with room reservations) is only 15%, in which eating out can be estimated to 13-13.5%, which is low compared to international average. Such a low rate features usually countries with medium or lower-than-medium GDP. Eating at workplace makes out a considerable part of eating-out-of-home, it falls between 37-40%. There is no significant change in the ratio of household spending on eating-out-of-home from 2006 to 2012 (15.0% and 15.1% respectively). It means that the fallback during the last years was caused by the economic crisis and – as a consequence – the decreasing net income.

The most representative form of eating out is meal consumption (72.5%), followed by the consumption of alcoholic beverages (10.8%), non-alcoholic beverages (3.4%), while the rest

of the products (tobacco, coffee, etc.) gave 13%. During the last years the ratio of meals has grown while the ratio of beverages (alcoholic and non-alcoholic) has decreased.

Due to the trends above and the shrinking market, the number of restaurants and snack bars shows a decreasing tendency (slow decrease until 2007 and fast decrease after 2008). The number of restaurants and snack dropped to 76.4% between 2001 and 2013, much of the drop (76.4%) occurred after the crisis. In the last years the number of restaurants and snack bars fluctuated between 25 500 and 26 000, giving 46.8% of all catering units.

The frequency of visiting and eating in food service units is very low in Hungary. According to the surveys of M.A.P. Közvélemény és Piackutató Társaság (2006) 71.7% of the adult population visit a restaurant at least once a year, 25.5% of them once a month and 4.3% more than once a week.

The main motivations for visiting a restaurant were:

- Eating Hungarian meals (77.4%), which is followed by Italian (29.8%), Chinese (15.0%) and Greek restaurants (11.7%) as most popular international cuisines.
- The occasions for the visits were: family celebrations (46.0%), meeting with friends (40.4%), eating while on a trip (36.8%), meal with no special occasion (16.6%).

According to the data published by Fehér, Füredi and Vizvári (2010) the spending in restaurants varies between HUF 2060 and 4497 per capita per occasion. This is above the international average (USD 10-20). The high level of spending indicates one of the most important problems of Hungarian competitiveness, and is also a barrier to market expansion.

3. Aspects of restaurant selection and consumer behaviour

The most important results of researches on restaurant selection are:

- The key criteria of restaurant selection are food and meals, which also drive customer satisfaction (Gyimóthy and Rassing, 2000). Several publications (e.g. Gyimóthy and Rassing, 2000; Hwajalange and Corigliano, 2000) verify that food plays a key role in the selection of travel destination, which makes it an important factor of competitiveness.
- Several sources prove that the factors of restaurant selection differ significantly according to place of residence (Bojavic and Shea, 1997; Gregorie et al., 1995; Kara et al., 1997; Soriano, 2001).
- Significant differences of consumer preferences can be observed between the different types of restaurants, i.e. fast food restaurants, traditional familiar restaurants and gourmet restaurants (Kivela, 1997).

According to published data, restaurant selection is a multi-criteria decision making system, the key criteria of which are food and meals. There are significant differences in consumer preferences, criteria of restaurant selection, and customer satisfaction between cultures and sub-cultures (in case of continents, regions, countries and sub-cultures within a country). The main factors are the type of the restaurant (fast food, traditional, luxury), consumer demographics (place of residence, age, qualification level, income level, value system, local consumer or tourist), and the characteristics of the restaurant (location, exterior and interior design, selection, staff). This means that consumer behaviour and restaurant selection should be continuously researched, since there are strong local characteristics. Food consumption including eating out-of-home has strong cultural links, dominated by local influences, while global influences are relatively weak for the time present. The other important implication is that differences between consumer groups within a culture or a country can be remarkable, and should be studied by consumer behaviour research and segmentation.

4. Results of the survey on Hungarian people's restaurant selection habits

As a preparation for the restaurant selection survey, we performed a focus group research to identify the factors of restaurant selection and their special characteristics. Using these results we performed a questionnaire based survey (N: 1023, age group: above 15 years). The survey was done between March and May 2014.

The structure of the sample does not differ significantly from the composition of the main target groups defined in the food consuming behaviour researches of GfK. This made possible to analyse the following segments in our research:

- regions (Central Hungary, Northern Great Plains),
- gender,
- type of settlement,
- income groups,
- education level,
- age.

For the frequency of restaurant selection we found that the frequencies and their differences regarding the separate restaurant types are determined primarily by age and education level. Gender and type of settlement play a medium role. The least differentiating factor is income per capita.

In spending per occasion the maximum spending shows significant difference between men and women: men spend more by 6.9% (HUF 5,158 per occasion). There is no significant difference in minimal and average spending between income categories, but maximum spending differ significantly. Groups with different educational level show differences in average and maximal spending in favour of the group with college/university degree. Among age groups 26-35 year-old people make significantly higher minimal and average spending.

Distance from the restaurant is significantly different in the separate income groups. Choosing a restaurant closer than 5 kilometres is typical in groups with low and very low income.

Restaurant selection criteria can be assigned to 3 groups:

- Hygienic conditions of the restaurant,
- Key characteristics of the service (staff, price-performance ratio and product/meal),
- Complementary characteristics of the service (accessibility, external communication).

It is important to emphasize that price and performance characteristics are ranked only to the third place, both hygienic conditions and behaviour of the staff have significantly greater importance.

According to our research the differences in restaurant selection criteria is determined mainly by regional and gender differences, while income plays the least important role.

5. Differences of restaurant selection criteria based on traditional demographic segments

We analysed the differences of restaurant selection criteria along the following factors (besides regional influences): age, gender, educational level, place of residence and income groups.

Belonging to different age groups caused significant differences in most of the observed selection criteria.

Quality and variety of meals was more important for the older age group, offering a children's menu was relevant for 36-45 years and older groups. There is no difference in size of meals and variety of beverages.

We found no difference regarding the classification of restaurants and the speed of getting menu cards, but live music and background music, speed of payment, kindness of welcome

and kindness of leave-taking are significantly more important for the older age groups. Also the older age groups have higher expectations for courteous and helpful staff and hygiene. Differences by gender are also important, since two-thirds of the observed criteria differ significantly. Women gave higher values for nearly every criteria (i.e. product characteristics and variety, level of services, courtesy of staff, restaurant atmosphere and reputation), which means that they are more demanding than men – except for the size of portions, which is more important for men. Our results show that educational level, type of settlement and income category has little influence on restaurant selection.

6. The effect of service time and complaint factors on satisfaction

Satisfaction with a restaurant highly depends on the speed and timing of service. For this we analysed the maximal acceptable times of some phases of restaurant service (receiving menus, serving beverages, serving first meal, payment process).

Table 2. Timing of restaurant services and maximal acceptable times

Service phases	Maximal acceptable time in minutes
Receiving menus	5,12
Serving beverages	8,23
Serving first meal	19,11
Payment process	7,27

Source: own research

Service time differs significantly only by region and gender, which means that guests' expectations of maximal times are quite alike.

One of the important factors of customer satisfaction is the documentation, assessment and handling of complaints. According to the results only 22.7% give voice to their dissatisfaction, nearly 80% do not complain directly.

59.2% of the sample expresses their dissatisfaction by giving less tips, while 64.6% complain to friends and acquaintances (negative mouth marketing). Posting negative experiences on blogs or forums is relatively rare by now (6.9%) but a rapid growth can be expected in the near future.

The most frequent reasons for complaints are the criteria that are the most important in restaurant selection. This shows that there is a remarkable gap between the expectations of guests and the performance of restaurants. Another important result is that complaints regarding price and payment conditions have a low frequency – only 15.8%.

Most of the reasons for complaints could be decreased or eliminated by HR development and better motivation. Food and drink quality could be improved partly by better ingredients, partly by improving know-how and behaviour of kitchen staff.

7. Conclusions

The factor analysis on restaurant selection resulted that the sample showed the smallest differences regarding the quality and selection of food and drink, and the experience factors. The greatest part of differences in restaurant type selection can be explained with the criteria on restaurant service elements, communication and the atmosphere of the restaurant.

The key success factors of restaurant strategy are the proper selection of target group, and the right service level, communication and atmosphere. Expectations towards products and services are high, represented by high scale values (1-5 scale), but restaurants have great

differentiation potential in food and drink selection. There is a local competition: the local market (with competitors within 10-15 kilometres distance) is relevant in restaurant selection. Differentiation and creation of competitive advantage in key selection factors can be the basis of a successful restaurant strategy.

References

1. Bojanic, D. C., Shea, L.J. (1997): Segmentation for a multiunit restaurant operation. *Cornell Hotel and Restaurant Administration Quarterly*, 38(4), 56-60.
2. Eurobarometer, (2011)
3. Fehér P., Füredi B., Vizvári P. (2010): A magyar gasztronómia és vendéglátás helyzete, *Turizmus bulletin*, XI. évf., 4. szám.
4. GfK Hungária Kft (2012): GfK Sajtószolgálat.
5. Gregoire, M. B., Shanklin, C. W., Greathouse, K. R. and Tripp, C. (1995): Factors influencing restaurant selection by travelers who stop at visitor information centers. *Journal of Travel and Tourism Marketing*
6. Gyimóthy, S., Rassing, C. R. (2000): Marketing works: A study of the Restaurants on Bronholm, Denmark. *International Journal of Contemporary Hospital Management*, 12(6), 371-379.
7. Hwajalange, A., Corigliano, M. (2000): Food for tourist-determinants of an image. *International Journal of Tourism Research*, 2(4), 281-293.
8. Kara, E., Kaynak, E. and Kucukemiroglu, O. (1997): Marketing strategies for fast restaurants. A customer view. *British Food Journal*, 99(9), 318-324.
9. Kivela J. J. (1997): Restaurant marketing: Selection and segmentation in Hong-kong. *International Journal of Contemporary Hospitality Management*, 9(3), 116-123.
10. Lehota, J.; Rácz, G. (2014): Focus points of health tourism in the view point of changing customer values. In: Fenyves et al. (eds.), III. Nemzetközi Turizmus Konferencia: Az egészség fókuszai a turizmusban. Debrecen, p. 22.
11. Soriano, D. R. (2001): Customers expectations factors in restaurants-the situation in Spain. *International Journal of Quality & Reliability Management*, 19(8/9), 1055-1067.
12. www.food-service-europe.com (2011) Food and Foorservice Industry Outlook.
13. www.marketinginfo.hu

CONTRIBUTED PAPERS

INVESTING IN RELATIONS AS AN OPPORTUNITY FOR SMES GROWTH

Urban PAULI

*Cracow University of Economics, Cracow, Poland
urban.pauli@uek.krakow.pl*

Summary: The main aim of the research is to develop the model of investing in relations carried out by small and medium enterprises (SMEs). On the basis of organisations' growth theories the author presents a model describing the approach and structure of investments in relationships among SMEs. Research conducted in 123 SMEs shows that the level of involvement in building relationships with stakeholders varies depending on a particular stage of growth. What is more, there is a difference in investing approach between companies with high and low performance level.

Acknowledgement: The research was financed by the funds of Polish National Science Center. Grant no: DEC-2012/07/d/HS4/00789

Keywords: small and medium enterprises, organizational growth, social capital, investments

1. Introduction

SMEs play a crucial role in European economy, which results in introducing special programmes aimed at supporting such organisations. Because SMEs operate in different branches, represent different sizes, business models and face markets of various dynamics, it is very difficult to create a general model to enhance SMEs productivity. Although many authors tried to capture and structurize similarities in this sector an unanimous model is impossible to create.

Reaching goals and adapting to changing conditions requires modification in the way SMEs act. There are many models presenting the way SMEs grow, and threats that may occur. However, none of these models shows clearly how SMEs should cope with obstacles. Such paths could help search for new capabilities that increase competitive advantage. According to many authors, the source of competitive advantage may lie in intangible assets that consist mostly of organisational, human and social capital. Social capital addressed to relations created between a company and its stakeholders. All the relations can help SME in reaching the desired level of goals achievement because they support decision making process provide with information about potential opportunities or threats. It may cause an increase in the market share by generating referrals from partners and build a positive image of the firm.

2. Theoretical background

2.1. SMEs growth theories

There are many models describing SMEs growth and they can be divided into four groups that take into consideration: (1) environment and strategy, (2) role of the entrepreneur/ manager, (3) resources and capabilities and (4) consequences of growth (Floren, 2011, p.117).

Taking into account the strategy of the growing firm the model of Cameron and Quinn (1983) can be discussed. It describes the most effective way of acting in four main stages of SMEs growth – entrepreneurial, collectivity, formalization and control, as well as elaboration of structure. At each stage, the organisation should introduce different acting models described

as Human Relations, Open Systems, Rational Goal and Internal Processes. The focus on each of the operating models will help reach desired goals and increase SME efficiency.

Adizes (2004, pp 21-181) PAEI model describes the way a manager/entrepreneur act at different stages of growth and presents roles to be performed. In this model, Adizes defined ten stages of organisational growth with different intensity of four roles: Productive, Administrative, Entrepreneurial and Integrative.

Resources and capabilities of a growing firm were discussed by Flamholtz and Aksehirli (2000). The authors presented six “building blocks” that should be focused on by managers at each of the seven defined growth stages. The “blocks” correspond to capabilities connected with: markets, products/services, resources, operational systems, management and culture.

The consequences of a firm’s growth are discussed in the Greiner (1998) model. The author presented five stages of organisational growth: creativity, direction, delegation, coordination and collaboration and five stages of crises resulting from each stage of growth: leadership, autonomy, control, red tape and not named last one (“?”).

Regardless of the approach taken, it can be stated that in each model a company can be characterised by a variety of attributes. These characteristics are influenced by an array of conditions and determine the size of the firm and their competitive potential (Hugo and Garnsey, 2005). This is why the analyses of capabilities is so important for SMEs.

2.2. Organisational capabilities

A capability is defined as a capacity to make use of a company’s assets in order to reach a higher level of performance (Maritan, 2001). Capabilities are skills and accumulated knowledge that are the foundation of organizational routines (Galbreath, 2005). These routines, having a strategic aspect, let organisations achieve new resource configuration when changes on the markets occur. They can integrate, restructure and release resources providing high level of adaptability (Eisenhardt and Martin, 2000). Capabilities stem from organizational practices and are crucial for achieving strategic goals, and they result from actions taken by people, organisation history and stakeholders’ activity (Kostova and Roth, 1999).

There are different sources of organizational capabilities which can be analysed according to Barney’s (1991) resource-based theory of a firm. Pike, Roos and Marr (2005) indicate that factors building organisations’ potential originate from human capital (knowledge, skills), organisational capital (culture, strategies, structures), relational capital (with suppliers, customers, business partners), and financial assets. It is worth mentioning that the way managers acquire capabilities can build competitive advantage as well (Maritan, 2001).

Because of their size and characteristics, SMEs can rely mostly on human capital and relational capital. As many authors claim this type of organisations do not have enough financial assets to compete with other (well-established) SMEs or large companies. They do not have well designed structures or procedures. That causes that entrepreneurs rely mostly on their employers’ knowledge, skills, motives and attitudes as well as on the owner’s own competencies. As external circumstances change, the way of doing business should be modified which requires improvement in competencies. This is quite difficult to do when the SME is not eager to cooperate with others or to gain information from customers as well as from suppliers. One of the activities that SMEs owners undertake when facing obstacles can be establishing strategic relationships based on reciprocity (Hugo and Garnsey 2005).

2.3. Importance of the relationships with stakeholders

To compete effectively firms have to increase the number of interactions with other market actors because the innovation activities are no longer processes than can be run solely by a SMEs (Lasagi, 2012). They should investigate which resources and their combinations are required for innovation (Halme and Korpela, 2013). Building relationships with stakeholders can be very fruitful for SMEs because it can create conditions to increase competitive advantage. Although the term stakeholder describes different groups of those who are able to influence a company, the relations with customers, suppliers and partners will be analysed.

Building relations with customers can help gain new buyers by referrals (Chollet, Garaudel and Mothe, 2014). In general, this type of organisations have limited resources that can be spent on promotion as well as on direct clients search. Additionally, SMEs because of their close relationships with buyers can gain information about trends and clients requirements.

Relationships with suppliers are treated as important, because of the impact of the quality of the supply chain on firm performance (Masquita and Lazzarini, 2008), and because vertical network can influence the product development process (Lasagi, 2012). Good relationships with suppliers can result in shorter delivery time, better quality of products and some additional information used in product or service improvement.

Cooperating with business partners can result in the creation of networks, that consist of a group of companies that face competition from other firms. In order to upgrade their capabilities they cooperate in designing new products, creating new brands or in lowering costs by combined logistics. Networking has also an impact on R&D potential of a SME. It requires an access to resources, knowledge, and risk sharing that a single company could not manage (Mahmood, Zhu and Zajac, 2011, Rese and Baier, 2011).

Although the cooperation with these three groups can enhance competitive advantage by enabling innovations or giving the opportunity to target new buyers it can also create firms' reputation that has an impact on the possibility to grow (Galbreath, 2005). Relationships can help build different capabilities required on the path of SMEs growth.

3. Theoretical model, hypothesis and methods

On the basis of organisational growth models (Greiner 1972, Churchil and Lewis, 1983, Quinn and Cameron, 1983, Flamholtz and Aksehirli, 2000, Adizes, 2004) a five stage growth model was described. General characteristics of the stages are the following: (1) *Survival* – low market share, no regular customers, financing by owner's capital, narrow offer; (2) *Take off* – products meet expectations, increasing incomes, widening internal processes, brand recognition in some groups; (3) *Prime* – increasing market share and incomes, developing and widening products, good brand recognition, new technological solutions, management systems; (4) *Maturity* – high incomes, higher costs, well designed management systems, well recognized brand, well designed cooperation with stakeholders; (5) *Decline* – decreasing incomes, market share and number of customers. Each of these stages can be also characterised by specific terms of cooperation and relationships with customers, suppliers and business partners. The quality of relations will impact the potential of using them as a capability that can leverage competitive advantage.

Building inappropriate terms of cooperation can threaten SMEs growth. This makes it necessary, for companies that operate in this sector, to invest in relationships. Relational-specific investments (RSI) are tangible and intangible investments spent on interfirm partnership focused on reaching particular, agreed goals. It consists of economic and social exchange (Luo, Liu and Xue, 2009). Particular areas of investments in relations are the following:

- Customer oriented investments: introducing loyalty programmes, gifts and promo materials, purchase of potential customers databases, introducing and conducting customer satisfaction surveys, auditing customer service process, analysing customer preferences, customers segmentation and preparing profiled offers.
- Suppliers oriented investments: organising meetings with suppliers, gifts, promo materials, organising special events, purchase of potential suppliers databases, enabling introducing quality control systems, market trends analyses.
- Business partners oriented investments: member of society fees, organising meetings and special events, supporting local societies, charity, costs of network functioning.

Investing in the above activities can result in tightening relationships with stakeholders improving SMEs' performance, protecting them against threats and providing possibilities to reach higher level of return on investments.

On the basis of the literature review and using the developed model three hypotheses can be formulated:

Hypothesis 1- the structure of investments oriented on customers, suppliers and business partners differ at every growth stage.

Hypothesis 2 – companies that invest more in relationships with stakeholders obtain higher levels of return on investments.

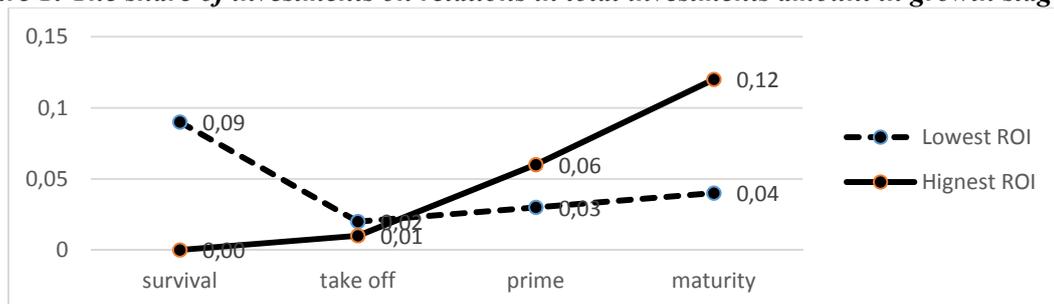
Hypothesis 3 – the share of investments in relationships in the total investments amount change at every stage.

In the research statistical analysis using structure and incidence (e.g. calculating the percentage of a given category of investment in the overall investments), selected descriptive statistics, as well as k-means clustering method and correlation coefficient were used. The research was conducted in June 2014 on a representative group of 382 SME. Unfortunately, a large group of companies did not provide information about investments outlay or gains and in some cases, the data were insufficient. Finally, 123 SMEs were taken into account making the return rate at the level of 32 percent. Such a small number of companies did not allow to conduct in-depth statistical analyses, and presented data can be treated as sample testing. The main problem appeared in under-representativeness of companies in decline stage (only 2 companies fell into this group).

4. Results and discussion

The share of investments in relational capital in the total amount of companies' investments differ in accordance with the stage of SME growth (see figure 1). In companies with the lowest level of ROI the share of investments in relational capital seems to be at the same level in most stages. Only at the survival stage SMEs spent more financial assets on promotion and attracting customers. Starting from the *take off* stage the owners prefer to invest in other areas such as tangible resources, human or organisational capital.

Figure 1: The share of investments on relations in total investments amount in growth stages

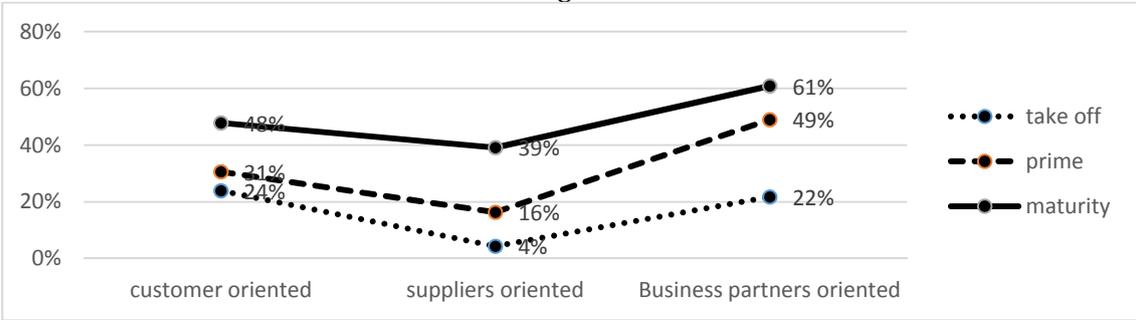


Source: empirical data

According to the companies with the highest ROI the situation is different. The share of investments on relationships is at the minimum level at the first stage and then increases on subsequent stages. That can be the result of the owners/managers attitudes focused on building networks, setting long-term agreements with suppliers and customers.

At every next stage, there is an increase in the number of companies that invest in relationships with customers, suppliers and business partners (see figure 2). At the stage of *take off* only 4 percent of companies declare to invest in relationships with suppliers, 22 with business partners and 24 with customers. At the *prime* stage, almost half of the companies invest in relationships with business partners, which may result from the orientation on searching opportunities to increase competitive potential by using external sources. It is worth mentioning that, because of dynamics in incomes and market share, at this stage SMEs are perceived as most wanted business partners for other market players. At the stage of *maturity* more than six out of ten companies invest in relationships with business partners. Almost half of SMEs invest in relationships with customers and four out of ten in relations with suppliers.

Figure 2: The percentage of companies investing in relationships with stakeholders on growth stages



Source: empirical data

The data gathered proves that mature SMEs tighten their cooperation with stakeholders. It may result from the consciousness of their own limitations and profits gained from cooperation as well as on better knowledge about market conditions.

Although the data gathered were insufficient to conduct in-depth statistical analyses, because of the sample size, some general findings can be presented. Investigated SMEs that invests more in relational capital obtained higher ROI which supports hypothesis 2. Moreover the share of these investments differ at every stage and in general increases with each subsequent - this supports hypothesis 3. The data presented on figure 2 show that the share of SMEs that invest in relationships with customers, suppliers and business partners increases at every stage of growth, which supports hypothesis 1.

Referring to the literature review it can be stated that experience gained by the managers and owners of SMEs while running their business, results in strengthening orientation on cooperation with stakeholders. They are unable to use solely their inner capabilities to provide further development of the organisation. Focusing on relationships with customers can provide them with information about requirements and market trends, cooperation with suppliers can support reputation building and lowering costs by setting long-term agreements, and networking can help with product innovation as well as with brand recognition.

References

1. Adizes I. (2004): Managing corporate lifecycles, Adizes Institute Publishing
2. Barney J.B. (1991): Firm resources and sustained competitive advantage, "*Journal of management*", 17 (1), pp 99-120
3. Cameron K., Quinn R.E. (1983): Organizational life cycles and shifting criteria of effectiveness: some preliminary evidence, "*Management Science*", 29 (1), pp 33-51
4. Chollet B., Géraudel M., Mothe C. (2014): Generating Business Referrals for SMEs: The Contingent Value of CEOs' Social Capital, "*Journal of Small Business Management*", 52(1), pp. 79–101
5. Churchil N.C., Lewis V.L. (1983): The five stages of small business growth, "*Harvard Business Review*", 61 (3), pp 30-50
6. Eisenhardt K.M., Martin J.A. (2000): Dynamic capabilities: what are they, "*Strategic Management Journal*", 21 (10/11), pp 1105-1121
7. Flamholtz E.G., Aksehirlı Z. (2000): Organizational Success and failure: an empirical test of a holistic model, "*European Management Journal*", 18 (5), pp. 488-498
8. Floren H. 2011, "Organising small-firm growth", in: *Research on Technology, Innovation and Marketing Management 2009-2011: Introducing the Research Area of Innovation Science*, ed S-A. Hörte, Högskolan i Halmstad, Halmstad, pp 117-133
9. Galbreath J. (2005): Which resources matter the most to firm success? An exploratory study of resource-based theory, "*Technovation*", 25, pp 979- 987
10. Greiner L.E. (1998): Evolution and revolution as organizations growth, "*Harvard Business Review*", 76 (3), pp 55-68.
11. Halme M., Korpela M. (2013): Responsible Innovation Toward Sustainable Development in Small and Medium-Sized Enterprises: a Resource Perspective, "*Business Strategy and the Environment*", Published online in Wiley Online Library,
12. Hugo O., Garnsey E. (2005): Problem-Solving and Competence Creation in the Early Development of New Firms, "*Managerial and Decision Economics*", 26 (2), pp 139-148
13. Kostova T., Roth K. (1999): Transnational transfer of strategic organizational Practices: A Contextual perspective, "*Academy of Management Journal*", 24 (2), pp 308-324
14. Lasagi A. (2012): How Can External Relationships Enhance Innovation in SMEs? New Evidence for Europe, "*Journal of small business management*", 50 (2), pp 310-339
15. Luo Y., Liu Y., Xue J., *Relationship Investment and Channel Performance: An Analysis of Mediating Forces*, Journal of management studies, no 46 iss.7, 2009, pp 1113-1137
16. Mahmood I.P, Zhu H., Zajac E.J. (2011): Where can capabilities come from? Network ties and capability acquisition in business groups, "*Strategic Management Journal*", 32, pp 820-848
17. Maritan C.A. (2001): Capital investment as investing in organizational capabilities: an empirically grounded process model, "*The Academy of Management Journal*", 44 (3), 513-531
18. Mesquita L.F., Lazzarini S.G. (2008): Horizontal and Vertical Relationships in Developing Economies: Implications for SMEs' Access to Global Markets, "*The Academy of Management Journal*", 51 (2), pp 359-380
19. Pike S., Roos G., Marr B. (2005): Strategic management of intangible assets and value drivers in R&D organisations, "*R&D Management*", 35 (2), pp. 111-124
20. Rese A., Baier D. (2011): Success factors for innovation management in networks of small and medium enterprises, "*R&D management*", 42 (2), pp. 138–155

THE COMPARISON OF THE ORGANIZATIONAL CULTURE OF AN AUSTRIAN AND A HUNGARIAN CHEMICAL ENGINEERING COMPANY

Zoltán T. NAGY, Hilda HURTA, Anna DUNAY, Csaba Bálint ILLÉS

Szent István University, Gödöllő, Hungary

E-mail: Illes.B.Csaba@gtk.szie.hu

Summary: In this study we compared two very similar sized company's corporate culture, which are both active in the chemical equipment manufacturing market. The comparison is based on interviews of the corporate executives and the analysis of the data gathered by questionnaire of Competing Values Model.

Based on this data we found, that the Hungarian company's corporate culture shows duality, because the manufacturing department shows dominantly hierarchical organizational culture, while among white-collar workers in the enterprise market type is the dominant culture. In the case of the Austrian company's corporate culture is hierarchical uniformly across the entire organization. Both company's corporate culture is significantly different compared to that described in the literature characteristic to the country. We clearly found the effects of the Austrian and Hungarian national cultures in the organizations however, even more strongly the effects of the strict and uniform EU regulations of the investigated industrial sector. These regulations seem to drive the two company's corporate culture in the same direction.

Keywords: national culture, organizational culture, Competing Values Framework

1. Introduction

In the daily operation of small and medium sized enterprises (SME), especially in Eastern Europe, most managers cannot seem to find time to deal with organizational culture issues, but this does not mean that it does not exist. Organizational culture develops from the foundation of a company and it is influenced by external factors like national culture, industrial sector and technology and by internal circumstances for example company size, management strategies, decisions and style. It is a continuously changing aspect of an organization, in which managers can instantiate changes to better suit their business strategy. (Bakacsi, 2004, p. 223)

2. Literature review

It has been proven in previous research that national culture has a vast influence on the organizational culture of an enterprise (Kertai-Kiss, 2014). National cultures have been studied extensively in the past decades. Among the numerous literatures on the subject the Hofstede and GLOBE researches (Szabó & Reber, 2007) provide widely accepted information.

Several research aimed to measure the differences in the national cultures and organizational cultures of Hungarian and Austrian companies (Szóke, 2014), but all of these use data from several industrial sectors, from manufacturers to service and consulting companies. The information on the cultural aspects of these companies are therefore also influenced by the differences of the organizational cultures, which can be attributed to different industrial sectors. Also these researches considered only the cultural aspects based on the answers of the

general managers and not that of the different managerial levels or departments of the organization.

In these general researches of the organizational cultures of Hungarian companies we find that the Hierarchy culture type is dominant, Clan and Market culture types are equally represented and Adhocracy culture type can be found only in 10-16% of the investigated companies. (Costa & Bogdány, 2013; Gaál et al., 2010; Bognár & Gaál, 2011)

The national cultures of the ex-socialist Eastern-European and West-European countries are converging since the fall of the iron-curtain and due to globalization. (Dittrich, Makó & Stojanov, 1996)

In the literature concerning the Austrian companies an interesting comparison was made between the Austrian and Australian construction firms, which showed that in this sector the dominant culture type is Market. (Lorenz & Marosszeky, 2004)

3. Methodology

The empirical research was carried out by comparing the organizational cultures in different management levels of two similar companies. Both of these companies are middle sized enterprises which supply specialized equipment for chemical-, mainly pharmaceutical manufacturers. Although they are similar in size, turnover and number of employees, they are not competitors, as they operate mainly in their homeland markets. Due to these similarities we expected the results of the comparison of the organizational cultures to be less influenced by other factors than national culture. Of course the differences between the management styles and historical development of the two investigated companies are remaining to be influencing factors.

The cultural diagnosis started with structured interviews with the managers of each company, which provided qualitative indications of the similarities and the differences of the organizational cultures.

As a more quantitative approach we choose to diagnose of the corporate cultures of the enterprises also by the Competing Values Framework of Cameron and Quinn. (Cameron, & Quinn, 1999, 2006). This model describes the organizational cultures in two main dimensions which are:

- internal vs. external orientation, and
- flexibility and dynamism vs. stability and control.

The different approaches of a given organization towards these values allow the categorization of the companies into four culture types, which are called Clan, Adhocracy, Market and Hierarchy. 'Clan' represents values that emphasize an internal, organic focus, whereas 'Market' identifies opposite values that highlight an external, control focus. The former concentrates on employees and teamwork, whereas the later enhances productivity and achievement. Also there is another contrary because 'Adhocracy' shows values that underline an external, organic focus, whereas 'Hierarchy' stress internal, control values. The former means real intention to creativity and entrepreneurship, whereas the later expects predictability and regulation.

Cameron and Quinn (2006) also published the questionnaire of the Competing Values Framework, which they called Organizational Culture Assessment Instrument, which was used in Hungarian and German translation in our study. The peculiarity of this instrument is that it measures the currently experienced and also the preferred culture dimensions, culture types. This allows managers to express if they are not aware, as in most cases, to systematically define the right cultural dimensions for their business strategy.

4. Results

Based on the openly available information of the Hofstede Centre (Hofstede, 2014) and the results of the GLOBE study one can summarize the differences and similarities of the national cultures in Hungary and Austria. We find that in many aspects the two cultures are similar.

Based on the Hofstede model (Hofstede, G. & Hofstede, G. J. , 2005) there is a gap between the optimism of the two countries, Austria being explicitly more optimistic. Similarly individualism is more characteristic of Hungary. Interestingly enough while according to the Hofstede model Austria has lowest Power Distance Index globally and Hungary is in the middle range, the GLOBE study places both Hungary and Austria in the middle range based on the measured the power distance.

The investigation started with structured interviews of both general managers. The relevant answers showed that the Hungarian company is externally oriented. The results also supported the data of the Hofstede Center that in Austria Power Distance is lower as in Hungary.

The questionnaire was filled out by 43% of the employees of the Hungarian and 26% of the employees of the Austrian company. In both organizations the general managers and all of the middle managers answered, which allowed a distinction of the answers based on management level, therefore we analyzed the data in 4 groups:

- General manager level,
- Middle management level,
- Office workers' level (engineers and administrative staff),
- Blue collar workers.

In the Hungarian company we found that Market and Klan culture is dominant in the perception of the general manager and the Hierarchy type is more and more important in the lower levels of the organizational structure. At the level of the blue collar workers the Hierarchy becomes the dominant culture.

In the Austrian company we found that Hierarchy is the dominant culture throughout the entire organization.

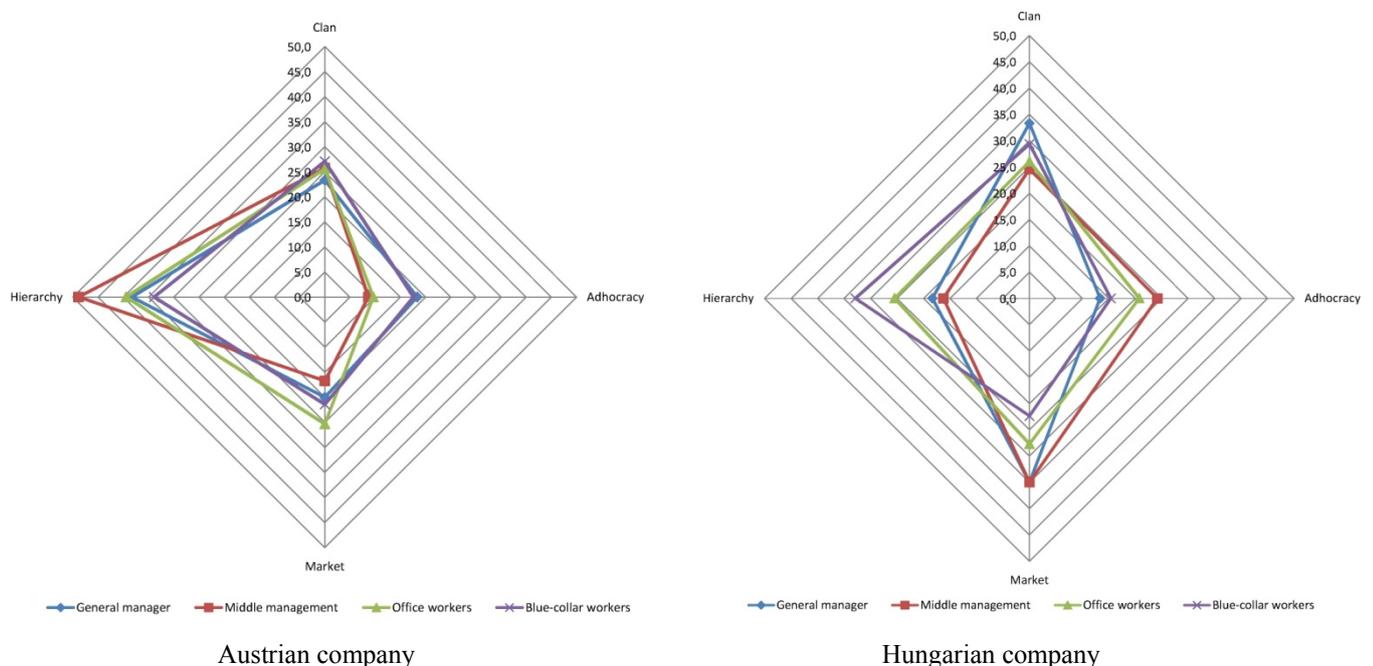


Figure 1: The perception of organizational culture in the different levels of the two companies

Source: own results

The comparison of the "preferred" culture types lead to the realization, that in the Austrian company a more market oriented and in the Hungarian company a more internal orientation and control would be ideal according to the employees. This means that the differences in cultural dimensions of the two companies will be reduced to a minimum, if the desired changes take place.

It is important to mention that the study was conducted based on voluntarily answered, anonymous questionnaires. This resulted in 43% of the employees of the Hungarian and 26% of the employees of the Austrian company participated in the study. Further investigation in similar companies of this sector in both countries would be useful in order to validate the results of the study.

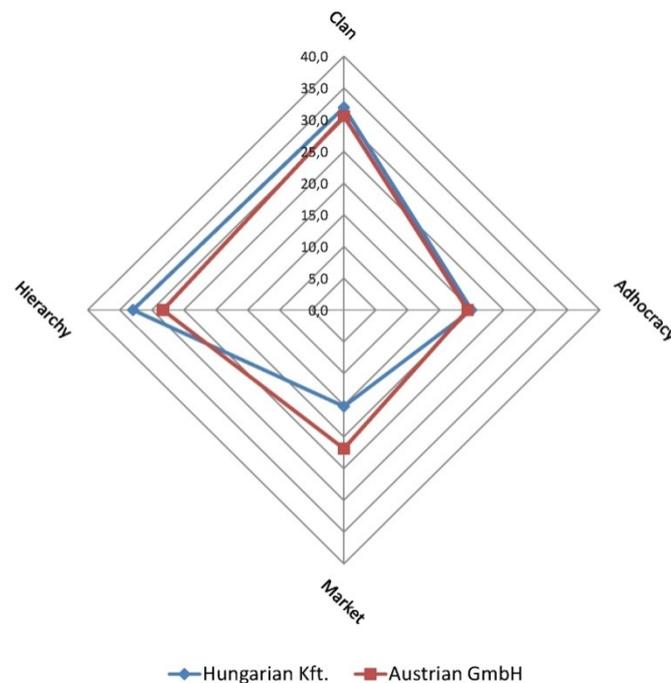


Figure 2: Comparison of the preferred culture dimensions
Source: own results

5. Conclusions

This is a work in progress research and, even with partial results, they allow some speculation and inferences. First, it is interesting to note that the investigated two companies do not show the dominant culture types, which would be characteristic of similar companies in their countries, although a hierarchy type of organizational culture is typical in German speaking countries.

Second, it is important to note that these companies have a quite simple organizational structure. Considering that the companies studied are partially owned by their general managers, it is expected that the influence of the managers' personal character is even more influential than in bigger organizations.

The most important finding is however, that in this EU wide uniformly regulated sector the Hierarchy type of culture is imposed on the manufacturing departments and this sectorial character is more influential than the differences in the national cultures of Hungary and Austria.

Further investigation in similar companies, possibly in other culturally more diverse countries would reveal more evidence of the influence of national cultures on the organizational culture.

References

1. Bakacsi, Gy. (2004): Szervezeti magatartás és vezetés. Aula Kiadó, Budapest
2. Bognár, F. & Gaál, Z. (2011): Rethinking Business Process Maintenance Related to Corporate Culture. PROBLEMS OF MANAGEMENT IN THE 21ST CENTURY, Vol. 1, Issue 1, pp. 16-25.
3. Cameron, K. S., & Quinn, R. E. (1999). Diagnosing and changing organizational culture: Based on the competing values framework. Addison-Wesley Publishing Company, Reading, Massachusetts
4. Cameron, K. S. & Quinn, R. E. (2006): Diagnosing and changing organizational culture: based on the competing values framework, Revised ed. John Wiley & Sons, San Francisco
5. Dittrich, E., Makó, C., Stojanov, C. (1996): Unternehmenskultur, Nationalkultur und Transformation. In: Lang, R. (1996), Wandel von Unternehmenskulturen in Ostdeutschland und Osteuropa, München/Mering, pp. 73-91.
7. Gaál, Z., Obermayer-Kovács, N., Csepregi, A., Antonova, A., Jenei, E. (2010): Clan, Adhocracy, Market, Hierarchy? Investigating Organizational Culture Types and Knowledge Sharing in Bulgaria, Hungary and Serbia. In: Uden, L., Szabó, L., Obermayer-Kovács, N. (eds.) KMO 2010 - Roles and Challenges of Knowledge Management in Innovation for Services and Products. 5th International Knowledge Management in Organizations Conference. Veszprém, Hungary, pp. 52-61
8. Hofstede, G. (2014): The Hofstede Centre. (2014. december 9), <http://geert-hofstede.com/national-culture.html>, 2015.02.15
9. Hofstede, G. & Hofstede, G. J. (2005): Cultures and Organizations: Software of the Mind. Revised and expanded 2nd Edition. McGraw-Hill, New York, USA, p. 436
10. Kertai-Kiss, I. (2014): The Fit of National and Organisational Cultures in International Scientific Literature. Management, Enterprise and Benchmarking – In the 21st Century, Óbudai Egyetem, Budapest, pp. 301-314.
11. Lorenz, K. & Marosszeky, M. (2004): Intercultural Management for International Construction Projects - A Comparison of Austria and Germany with Australia. In: Khosrowshahi, F. (ed.), Proceedings 20th Annual ARCOM Conference, Edinburgh, UK, Vol. 1, pp. 427–436.
12. Costa, J. P. M., & Bogdány, E. (2013): The relationship between organizational culture and the transfer of management, functions and roles in the SMES succession: A case study between Hungary and North of Portugal. TOURISM & MANAGEMENT STUDIES, Vol. 9, Issue 1, pp. 121-128.
13. Szabo, E. & Reber, G. (2007). Culture and Leadership in Austria. In: Chhokar, J.S., Brodbeck, F.C. & House, R.J. (eds.): Culture and leadership across the world: the GLOBE book of in-depth studies of 25 societies. Mahwah: Lawrence Erlbaum Associates, pp.109-146
14. Szőke, J. (2014): Kis- és középvállalatok határon átnyúló gazdasági kapcsolatai kulturális aspektusból. Doktori értekezés, Széchenyi István Egyetem, Győr

PRO-ECOLOGICAL ACTIVITIES OF SMES – BARRIERS, DETERMINANTS, FINANCIAL SUPPORT MECHANISMS

Robert KUCEBA, Waldemar JĘDRZEJCZYK

Czestochowa University of Technology, Faculty of Management, Czestochowa, Poland

E-mail: robertk@zim.pcz.pl

Summary: In the present chapter the authors aggregated barriers, determinants and financing sources (own and external capital) of planned and performed pro-ecological activities/investments in SMEs. The variables were aggregated on the basis of the data by the European Commission and own research in Polish enterprises of the SMEs sector - purposeful selection (enterprises declaring pro-environmental activity). The authors distinguished in the chapter an overarching determinant of pro-ecological activity in the SMEs sector, unique compared to large-scale enterprises - convergence of pro-ecological activeness and cost reduction of own basic activity.

Key words: ecological activities, SMEs, barriers and determinants of pro-ecological activity, financing sources of ecological activities

1. Introduction

The sector of the SMEs is a driver of national economies in the European Union. In the year 2013 the number of registered economic entities in this sector was 21.6 million, which in total balance constitutes 98% of all registered ones. Thus, in the European Union the value added of SMEs is 3.666 trillion Euros, which constitutes 51.8% of added value and 28% of produced GDP of the European Union. The above summary of the size of the SMEs sector in the European economy unequivocally confirm their vital economic importance and thus, a large impact on natural environment and social welfare. However, in the practice of business sources of environmental threats are attributed to large-scale enterprises. It is considered that it is mainly large manufacturing enterprises that constitute a source of threats and pollutions of lithosphere, hydrosphere and aerosphere. Thus, legal, financial and technological mechanisms are dedicated to and implemented in this group of enterprises.

While referring to the above distinguished measures confirming the size and power of European SMEs influence on economic development, one cannot omit their influence on natural environment. A unique characteristic of SMEs is their focus on executing basic goals of their operations. Therefore, the Authors opinion is that the relationships between executing basic goals of their operations and their "green activeness" are vital.

2. Areas of enterprise pro-ecological activity

Currently, in the SMEs sector one can notice combining basic goals of operation with their pro-ecological activeness in support of natural environment, as well as local community. In 2013 12.9% [1, 2] of the European SMEs indicated that a vital goal of their operation in production and transport cost reduction in convergence with reduced environmental pollution. This measure is still low. Enterprises declaring their pro-ecological activeness, in the portfolio of factors being the source of inhibition of this activity of SMEs distinguish, among others: additional external costs - environmental ones, limited access to external financing sources and often low level of environmental awareness and corporate social responsibility of the employees, cooperating entities and consumers of their value created. At the same time these

enterprises indicate that environmental goals were not separated from basic goals. According to the SME entrepreneurs (indicating environmental activeness) their operation in the scope of reducing environmental threats and pollution brings also economic benefits, frequently financial ones [2, 3].

Thus, one can state that the main determinant of pro-ecological activity of the SMEs sector, unique compared to large-scale enterprises is convergence of pro-ecological activity and reduction of basic operation costs. This concerns for example costs connected with reduction of the demand for production or services factors (e.g. energy, fuels, resources, manufacturing materials). Other factors, distinguished in the literature which may influence environmental activity such as: growth of the supply and demand for "green" products/services, financial and fiscal levies, legislative regulations, improved company image - are currently associated by the SMEs entrepreneurs with growth of production/services costs connected directly with additional environmental costs.

Therefore, what is often sought after is a binary relationship between environmental effects [11, 12] and economic effectiveness. Examples of such relationships are presented below:

- Cost reduction through the decrease in emission charges as a result of reduction of greenhouse gases emission in CO₂ equivalent;
- Reduction of production costs and SME infrastructure through application of energy-saving technologies;
- Reduction of the increase in the cost of rare resources acquisition through the increase in the quantitative use of resources;
- Growth of economic effectiveness as a result of more effective use of the nature resources and limiting waste;
- Higher quality of products through the growth of the qualitative resource use;
- Growth of the demand for specific products through meeting environmental tastes of customers.

At the same time it should be stressed that these activities promote execution of the European and national environmental policy, are accepted not only by the SMEs sector enterprises but also socially. These activities foster sustainable production at the microeconomic level and sustainable creation of value added at the macroeconomic level [5, 7].

While evaluating the directions of pro-ecological activity of SMEs in the European Union we can refer to studies conducted by TNS Political & Social at the request of the European Commission, Directorate-General for Enterprise and Industry, the coordinator of which was the European Commission [2]. In the group of European enterprises from the SMEs sector the greatest importance - 80% of the examined entities, is attributed to energy-saving activities. Vital directions of pro-ecological activity convergence with carrying out the basic goals of SMEs are actions connected with material management, in particular minimizing waste - 75%, materials saving 65% and directly connected with reverse logistics - recycling, reuse or processing - 56% of indications. Low percentage measures were attributed to innovative prosumer activity [4, 9, 10] 25% - connected with production of energy in Renewable Energy Sources (e.g. electricity, heat or cold) for own needs [2, 8, 9, 6].

The European Commission indicates also barriers of pro-ecological activity in the European sector of SMEs. In the present paper in order to justify the addressing the issue the authors distinguish the barriers which obtained more than 50% of indication, in particular the following ones: environmental activity cost, limited access to external financing sources, high cost of adjustment to legislative pro-ecological regulations, low level of expert knowledge (it concerns: tools, technologies, methods, financial and legislative support mechanisms) in the scope of the distinguished above areas of pro-ecological activeness. It should be stressed, that these barriers are fully compatible with the inhibition factors of pro-ecological activity

indicated by enterprises which already indicate environmental activeness in one or more above mentioned areas.

Thus, it is important to concentrate legislative and financial mechanisms as well as the ones connected with knowledge transfer and diffusion - in order to support "green activeness" of SMEs. In this reference the cognitive focus concerns distinguishing external financing sources of pro-ecological activeness of SMEs, with distinction of Funds resulting from the cohesion policy in the structures of the European Union.

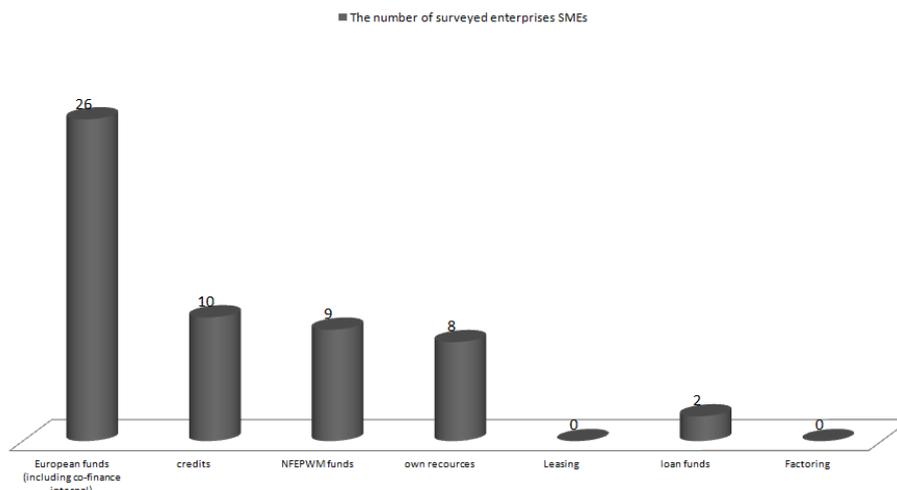
3. Financing sources of pro-ecological activities of enterprises in the SME sector

The goal of the conducted study was, among others, to determine the barriers of environmental activity, identify pro-ecological activities and determine preferred instruments of financing this activity. In case of barriers of environmental activity more than 50% of indications concerned: limited access to external capital including high cost of acquiring this capital - 42 enterprises (76%), financial risk resulting from the growth of basic activity cost - 38 enterprises (69%), unsatisfactory detailed knowledge concerning environmental investments (e.g. scale, technological solutions or return rate and time) in heterogeneous areas of SMEs activity - 35 (63%). The above indications of the "target group" of the examined SME enterprises are convergent with the barriers of pro-ecological activity of examined European enterprises (point 1 of the present chapter). This confirms uniqueness of this sector in perceiving inhibition sources connected with convergence of the basic activity and operating symbiotically with the environment. Focusing on environmental activities which reached over 50% in accordance with the assumptions (point 1 of the present chapter) one can identify an inclination to investments reducing costs of SMEs activity, being simultaneously the ones reducing use of energy, fuels, raw materials, materials. With reference to identifying pro-ecological, more than 50% of indications concerns: reduction of energy intensity of buildings, halls and technological processes - 38 enterprises (69%) and reduction of resources use - 32 enterprises (58%). Other actions indicated by the examined entrepreneurs include: recycling, re-use, waste processing and use - 17 enterprises (13%), use of renewable prosumer sources - 7 enterprises (13%).

While analyzing the motives of planned above mentioned pro-ecological investments/activities 39 enterprises indicated reduced cost of basic activity (71%). The other ones include: building the company's brand and image - 16 enterprises (29%), increase revenues to the business - 12 enterprises (22%), improved relationships with the environment of the company - 9 enterprises (16%), increase in the value of products and services - 9 enterprises (16%) - in this 4 medium enterprises, increase of the competitive advantage - 6 enterprises (11%), increase of the employee motivation and their links with the company - 5 enterprises (9%).

With reference to the financing sources, paradoxically with reference to the basic activity 47 enterprises (85%) declared co-financing new pro-ecological investments - with acquired external capital. The remaining 8 examined enterprises (15%) are planning to finance these activities from own resources. The planned structure of the investment capital of the above mentioned activities according to the examined enterprises is presented in figure 1.

Figure 1. Structure of the planned financing sources of environmental activities in the examined population of enterprises of the SME sector



Source: Own elaboration

While referring to the graphic summary (Fig. 1) it should be indicated that 26 (47%) of enterprises declaring implementation of investments recognized as environmental ones are going to use resources co-financed from the funds of the European Union. It should be mentioned here that the examined group of the SME entrepreneurs was trained and obtained knowledge in the scope of areas, restrictions and procedures of acquiring external financial resources, including the ones coming from the European Union. Examined enterprises also tend to apply for low-interest preferential credits dedicated in particular in Poland by Bank Ochrony Środowiska. The above form of financing environmental activities with the use of external capital distinguished 10 of the examined SME entities (18%).

Nine SME enterprises in turn 9 (16%) declares applying for funds from the National Fund of Environmental Protection and Water Management (in this Provincial Funds for Environmental Protection and Water Management - 16 entities in Poland). These are financial support resources in the form of subsidies and/or preferential loans for extending the basic activity with regard to pro-ecological investments.

Only two SME enterprises are going to use loan funds, this concerns in particular venture capital ones and private equity ones. The other group of entities in the research portfolio shows lack of interest in this form of recapitalization. The low interest in loan funds are explained by, among others: high cost of acquiring capital resources and limiting decision making and freedom of operations in the basic activity of their company.

It should be also indicated that the studies companies did not show inclination to finance eco-investments with leasing and factoring capital.

To sum up, with reference to the external financing sources distinguished by the examined group of entities such as co-financing from the resources of the European Union's Funds and the National Fund For Environmental Protection and Water Management, in Table 1 the Authors summarize preferred programmes of eco-investment financing (in the form of subsidies and low-interest loans) in the years 2014-2020.

4. Conclusion

To sum up, the attitude of the SME sector to their basic activity implementation in convergence with environmental should be analyzed in the category of prospective reduction of costs connected primarily with the reduced demand for production factors and their waste. In this respect sources of recapitalization of investments indirectly connected with

environmental activity are relevant for this group of SMEs. On the basis of the conducted research, which is supported by the indications of the purposefully selected population of enterprises (declaring their accession to integrate basic activity and environmental one), the Authors state that it is vital to stimulate environmental awareness of the SME entrepreneurs, with particular distinction of relationships between improvement of environmental measures and economic results. In this case vital elements are environmental education, information transfer on support mechanisms of "green initiatives", as well as lobbying of the SME enterprises in legislative bodies, e.g. in the scope of fiscal benefits.

References

1. „*Energy Efficient Technologies for Industry and Best Practice. Engine - Energy Efficiency in SMEs*”. http://www.engine-sme.eu/fileadmin/SME-Uploads/D15/ENGINE_WP5_D15_EN.pdf, pp.11-15
2. European Commission (2013): "SMEs, resource efficiency and green market. Report". Flash Eurobarometer 381 - TNS Political & Social. Dec., pp. 14-33, 45-55
3. Europe INNOVA (2012): "*Guide to resource efficiency in manufacturing: Experiences from improving resource efficiency in manufacturing companies*". Greenovate Europe E.E.I.G., pp. 8-13, May
4. Kuceba R. (2011): „*Virtual Power Plant. Chosen Aspects of Dispersed Generation Entities Organization and Management*“, Wydawnictwo „Dom Organizatora” Toruń
5. Kuceba R., Bylok F., Pabian A., Zawada M. (2014): „*Prosumer Energy Dimension in the Conditions of Sustainable Micro-region Development in the EU*”. [w:] ICSSAM, International Conference on Social Science and Management. ISEPSS. International Symposium on Education, Psychology and Social Sciences. May, Kyoto, Japan. Conference Proceedings, pp. 1040-1051
6. Muller P., Gagliardi D., Caliandro C, Bohn N.U., Klitou D. (2013): "*Annual Report on European SMEs 2013/2014 – A Partial and Fragile Recovery*". SME Performance Review 2013/2014. Final Report -July 2014. Dedicated European Commission Contract No. 345/PP/ENT/CIP /13/F/ N02C031. pp. 1-34
7. Pabian A., Bylok F., Kuceba R., Zawada M.: „*Sustainable Organisations of the Future in the European Union Structure*". International Journal of Management & Computing Sciences/Canada, pp. 1-9, ISSN: 2231-3303 (IJMCS) Vol. 3 nr 1
8. Popczyk J., Kuceba R., Dębowski K., Jędrzejczyk W. (2014): „*Prosumer Energy. First Consolidation Attempt*". Wydawnictwo Wydziału Zarządzania w PCz. Częstochowa
9. Popczyk J. (2014): *Prosumer Energy*, Instytut Badań nad Gospodarką Rynkową – Gdańska Akademia Bankowa
10. Sanz J. F., Matute G., Bludszuweit H., Laporta E. (2014): "*Microgrids, a new business model for the energy market*". International Conference on Renewable Energies and Power Quality (ICRE PQ'14) Cordoba (Spain), 8th to 10th April, 2014 Renewable Energy and Power Quality Journal (RE&PQJ), No. 12, April
11. The Energy Efficiency Financial Institutions Group (2013): "*Energy Efficiency – the first fuel for the EU Economy. How to drive new finance for energy efficiency investments*". Final report covering Buildings, Industry and SMEs, pp. 11-36.
12. Trianni A., Cagno E. (2012): „*Dealing with barriers to energy efficiency and SMEs: Some empirical evidences*", Energy 37(2012). Journal homepage, pp. 494-504: www.elsevier.com/locate/energy
13. www.funduszeuropejskie.gov.pl/2014_2020/Strony/glowna.aspx

ROLE OF INTERNATIONAL ASSIGNMENTS IN KNOWLEDGE FLOW IN SMALL AND MEDIUM COMPANIES WITH FOREIGN OWNERSHIP

Joanna PURGAŁ-POPIELA

Cracow University of Economics, Cracow, Poland

E-mail: purgalj@uek.krakow.pl

Summary: In the era of emerging knowledge economy, many companies strive to constantly update/develop intangible resources by participating in knowledge networks. An MNC is an example of a network which provides access to a large knowledge base. Within such a network inter-unit knowledge flows are facilitated by multiple mechanisms, including international assignments (IAs). An increasing variety and availability of less expensive IA forms can encourage small entities to adopt practices applied by larger organizations. This study endeavours to find out how small-, medium-sized subsidiaries use IAs in knowledge flow within corporate networks, identify emerging patterns, and compare these to large companies on empirical results obtained from companies with 100% foreign ownership. Four clusters representing different patterns of IA usage in cross-border knowledge flow by small- and medium-sized organizations were revealed.

Keywords: international assignments, cross-border knowledge flow

1. Introduction

In a globalized world, companies often strive to gain or sustain a competitive advantage by using knowledge available within networks comprising numerous entities from over the world. Access to advanced know-how is a tempting opportunity to develop activity, in particular for smaller entities, whose own capabilities are usually poorer compared with large competitors (Perechuda 2013). MNCs intending to utilize their know-how in multiple contexts for international expansion develop mechanisms facilitating knowledge flows between dispersed entities. One is a cross-border employee transfer by means of international assignments (IAs), recommended as a solution supporting diffusion of more tacit, contextual/complex know-how which requires interpersonal interaction (Bonache & Dickmann 2008). Furthermore, know-how flow based on personal relationships corresponds with a specificity of smaller companies which rely on informal, and flexible methods when managing knowledge (Stosik 2005). Due to IA's potential as an interactive mechanism facilitating flow, and a variety forms, including cheaper alternatives for long-term stay, one expects that even smaller entities involved in corporate networks can make use of them as with larger companies. This study aims to (1) find out how small- and medium-sized subsidiaries use IAs in knowledge flow within corporate networks, (2) identify emerging patterns of said practices, and additionally to compare these patterns to large companies' practices, and analyse them with respect to selected subsidiaries' characteristics.

2. Theoretical background and concept of research

Contemporary theories of MNC link the issue of multidirectional knowledge flow (KF) with transformation of MNCs into transnational organizations, diverse mandates and roles of subsidiaries in MNCs, and their dual embeddedness in corporate/local networks (Bartlett & Ghoshal 1998; Gupta & Govindarajan 2000, ed. Lundan 2002, Fonfara et al. 2009). From a

subsidiary perspective, its involvement in cross-border KF should be considered as an aspect interrelated with the scope of relationships established by this entity with other units of the MNC (by cooperation, communication, and direct personal contacts), and availability of mechanisms enabling/supporting such flow (e.g. mobile employees, ready and capable to share knowledge/teach others) (ed. Lundan 2002, eds. Harzing & Pinnington 2011).

Smaller companies (10-249 employees) with foreign ownership, which operate as foreign subsidiaries represent a specific type of small- and medium-sized enterprise, since they do not meet all criteria describing SMEs (Daszkiewicz & Wach 2013). Although they have separate legal status, and usually a simpler structure, one decisive center and are managed in a less formal manner, their autonomy is limited by the parent company, to a different degree². Their specific needs concerning know-how transfer stems from the nature of knowledge in-use, characterized as “hot”, “intuitive”, experience-based, and relying on informal, spontaneous flow within teams/close interpersonal relationships (Stosik 2005; Perechuda 2013).

According to expatriate literature, knowledge transfer is an important goal of delegating, and one of the key assignee’s roles (Dowling et. al 2008, eds. Harzing & Pinnington 2011). Yet, flow can also occur spontaneously, regardless of the official purpose of IA. Bonache and Zárrega-Oberty (2008) suggest that its usefulness can increase if the choice of IA arrangements corresponds with the nature of knowledge (being transferred), which implies usage of practices ranging from formally-assigned knowledge transfer to spontaneous (uncontrolled) KF during IAs, from one-to-one interaction to collective exchanges of experience, and from asymmetric knowledge transmission to blurred configuration of flows.

Summing up, to make conclusions concerning companies’ approaches to IA usage in KF, two aspects are considered, (1) the extent to which knowledge transfer is an officially assigned goal/task (regarding the following directions of delegating: from subsidiary to headquarters (HQ); HQ to subsidiary; subsidiary to other foreign affiliates; foreign affiliates to subsidiary), and (2) the degree of using specific IA arrangements facilitating KF:

- individual, developmental assignments within which mentor/coach and trainee are from different locations, (named cross-border coaching/mentoring);
- developmental assignments within which employees from different units participate in group trainings in foreign locations (international group trainings);
- task/project-related assignments undertaken individually by subsidiary employees and performed in other foreign units (individual foreign project);
- group assignments comprising people from different locations working on common international projects (cross-border teamwork located abroad).

To measure these 8 variables (four per each aspect), a five-point Likert-type scale (from 1= very small extent to 5=very high extent) was applied, within which informants were asked to estimate the extent to which each of these items refer to in the companies they work for.

3. Data and Method

Data stem from structured interviews (CAPI) with senior managers responsible for managing IAs in 171 companies with 100% foreign ownership, and who acted as single informants³. Data was collected in 2014, within project No. UMO-2012/07/D/HS4/00741 financed by the National Science Center. The sample was drawn by random sampling from a pool of subsidiaries established in Poland before 01.01.2012. It consisted of entities operating in all

² Many authors have pointed at semi-autonomous processes in subsidiaries, including making decisions, and developing policies within decentralized /polycentric MNCs (e.g. Bartlett & Ghoshal 1998; ed. Lundan 2002; Dowling et al. 2008; Fonfara et al. 2009).

³ In practical terms, they were either managing directors, especially in small and some medium-sized entities, or HR senior managers – in large organizations.

fields of business, representing industry (48%), 24% were small firms (10-49 employees), 42% medium (50 – 249), and 34% large entities, mostly belonging to European MNCs (82%, with Germany accounting for 29% and the USA for 9%), and usually carrying out own production activities or providing services (other than sale/customer service). Of these, 63% were greenfield investments, while the rest were acquired by foreign investors. Regarding these characteristics, no significant variation was found in the proportion of companies within groups, between large and smaller entities (jointly small and medium-sized). Yet, there were significant differences in terms of subsidiary age, ($X^2 = 12.382$, df: 4, $p=0.01$; coef. C = 0.265). In particular, over 65% of the former had at least 15 years “tenure”, while almost 60% of the latter had no longer than 14. Furthermore, significant differences ($p=0.03$) occurred in case of subsidiary’s network size, i.e. number of direct relationships with other affiliates maintained for at least 2 years, which was greater for large companies.

To compare smaller and large companies, as well as particular clusters, contingency tables, Pearson's Chi-Square (for categorical variables), Mann-Whitney U-test (for ordinal variables), or t-test (for continuous variables) were used. In order to identify patterns of IA usage in knowledge flow, clusters analyses were applied. Prior to analyses, Ward's minimum variance method, and v-fold cross-validation techniques were used to determine optimal number of clusters. Results of analyses are discussed below.

4. Usage of IAs in knowledge flow in the light of smaller companies’ practices

In smaller companies both, modal and median values illustrating the importance of knowledge transfer (KT) as an assigned task/goal reached 3 points (1-5 scale), regardless of the direction of delegating employees, which suggests a moderate level of this practice. Furthermore, no significant difference between smaller and large companies was found in case of all considered cross-border employee flows.

As for usage of specific forms of IAs, the lowest level was reported for cross-border coaching/mentoring (modal and median value reached 2 points). It seems, however, that large companies also do not use such solution frequently, since no significant difference between both categories was noted. Nevertheless, average usage of the other three IA forms observed in smaller companies attained moderate level (modal and median values in all cases were 3). Yet, in large companies it was significantly higher, at $p=0.03$ for international group trainings, and at $p=0.002$ for individual foreign projects and cross-border teams located abroad.

5. Patterns of IA usage within corporate knowledge flow in smaller companies

Identifying patterns of IA usage within flow required three-steps proceeding based on cluster analyses. This choice was based on two main reasons. First, the study aimed to grasp two equally important, though different aspects: (1) the extent to which KT is assigned to delegated employees as their key task/goal, and (2) the extent to which the company uses specific forms of IAs creating different context for knowledge flow. This entails the possibility of several configurations within both these areas. Second, such analyses allow to recognize common configurations of organizational practices occurring in the real world.

The starting point was to find the number of clusters within the sample characterized by these two separate aspects. In both cases the optimal number was three.

Subsidiaries were submitted to clusters analyses using the k-Means algorithm. (See Table 1). The F values show that in case of KT importance, all variables strongly and significantly discriminate between clusters. As for IA usage, both developmental forms of assignments (coaching/mentoring and group training) discriminate between clusters most strongly, while using individual foreign projects is weak, though still significantly.

Table 1: Mean scores and ANOVA results for distinguished subsidiary clusters

VARIABLES	Mean scores in clusters			Between groups SS	df	Within groups SS	df	F	P - value
	Low	Moderate	High						
<i>delegating to HQ</i>	1.370	3.214	4.625	171.000	2	66.743	106	135.790	0.00000
<i>delegating to other units</i>	1.667	3.024	4.725	156.443	2	72.951	106	113.658	0.00000
<i>sending from HQ</i>	1.444	3.476	4.425	144.843	2	70.918	106	108.248	0.00000
<i>sending from other units</i>	1.518	2.738	4.550	157.130	2	58.760	106	141.728	0.00000
VARIABLES	Mean scores in clusters			Between groups SS	df	Within groups SS	df	F	P - value
Usage of:	R. high	R. low	Low						
<i>cross-border coach/mentoring</i>	3.816	2.029	1.639	100.205	2	84.987	106	62.490	0.00000
<i>international group trainings</i>	3.395	3.343	1.250	108.395	2	91.715	106	62.639	0.00000
<i>individual foreign project</i>	4.026	3.000	2.333	53.962	2	104.974	106	27.245	0.00000
<i>cross-border teamwork abroad</i>	3.921	2.343	1.722	95.523	2	87.871	106	57.615	0.00000

Source: own results

The third step aimed to find out the patterns emerging from companies' practice by combining both considered aspects. Pertaining to each aspect, distinguished categories represented three 'levels' ('low', 'moderate', and 'high' importance of KT in IAs, as well as 'low', 'rather low', and 'rather high' usage of specific IA forms), which generally could result in no more than nine configurations. Identification of the real configurations required a procedure analogous to that used previously. Thus, the optimal number of clusters was four. Due to analyses based on *k*-means clustering (adapted to non-quantitative variable and based on X^2 statistics, at $p < 0.01$ for both aspects, with $df: 6$, and $X^2 = 108.600$ for 'importance of KT', 92.390 for 'IA usage') the following patterns of smaller subsidiaries' practices emerged: (1) 'Transfer-orientated' with high KT importance/rather low IA usage (39% of all smaller entities), (2) 'Inactive', in which both aspects were at the low level (37%), (3) 'Usage-orientated' with moderate importance if KT and rather high extent of IA usage (13%), and (4) 'Bipolar' with high KT importance, and low IA usage (9%).

When comparing these patterns to large companies, most similar practices characterise entities belong to the 'usage-orientated' cluster and large companies. There was no significant difference between them with respect to all considered variables. 'Transfer-orientated' cluster and large companies significantly varied in terms of KT importance, which was clearly higher in smaller companies when sending employees to headquarters ($p=0.001$), and the opposite direction ($p=0.001$). This difference suggests that the former entities treat IAs as a crucial transfer method especially in relationships with the MNC's hub. There were significant differences between large companies and 'inactive' ($p=0.01$), as well as 'bipolar' cluster ($p < 0.05$) for all specific IA forms.

6. Final comments

Due to the explorative nature of this study, it does not explain why these specific patterns were used in particular groups. However, an initial step towards such an explanation might consist of comparisons between these four clusters in terms of their (1) scope of direct relationships with other affiliates within the MNC (an ordinal variable based on unequal intervals), (2) intensity of employee cross-border flow within the last 2 years (as a ratio of the average annual number of IAs per 100 employees), (3) availability of suitable candidates for IAs (in the five-point Likert type scale), and 'structural characteristics' (i.e. age, profile and

sector of activity, mode of establishment, country of parent company's origin) as 'controls'. The first variable refers to the concept of corporate embeddedness of the subsidiary, according to network perspective, is an important factor associated with its involvement in corporate knowledge flow. The second variable reflects the occurrence of direct, interpersonal contacts within the corporate network, that plays a crucial role in building mutual trust and understanding, and thus tacit knowledge sharing. Additionally, high intensity might be an impetus to advance expatriation policies aimed at support assignees performance as knowledge transferors. The third variable informs about existence of constraints affecting the usage of IAs (including their usefulness in facilitating flow). Comparisons (in-pairs) of all clusters with respect to these three variables revealed significant differences between them. However, no significant difference was found with respect to 'structural characteristics'. Thus, initial exploration suggests, that future research devoted to usage of IAs in smaller companies aimed to facilitate knowledge flow, will benefit from combining the network perspective with expatriation-related aspects, such as policies and their outcomes.

References

1. Bartlett C.A., Ghoshal S. (1998): *Managing across borders: the transnational solution*. Boston, Massachusetts: Harvard Business School Press.
2. Bonache J., Dickmann M. (2008): Transfer of strategic know-how in MNCs: mechanisms, barriers and initiatives, in M. Dickmann, C. Brewster & P. Sparrow (eds) *International Human Resource Management. A European perspective*, London/ New York: Routledge.
3. Bonache J., Zárraga-Oberty C. (2008): Determinants of the success of international assignees as knowledge transferors: a theoretical framework, "*International Journal of Human Resource Management*", 19(1), pp. 1-18.
4. Daszkiewicz N., Wach K. (2013): *Małe i średnie przedsiębiorstwa na rynkach międzynarodowych*, Kraków: Wyd. Uniwersytetu Ekonomicznego w Krakowie.
5. Dowling P.J., Festing M., Engle A. (2008): *International Human Resource Management*, 5th ed., London: Thomson.
6. Fonfara K., Hauke A., Łuczak M., Ratajczak-Mrozek M., Szczepański R. (2009): *Zachowanie przedsiębiorstwa w procesie internacjonalizacji. Podejście sieciowe*, Warszawa: PWE.
7. Gupta A.K., Govindarajan V. (2000): Knowledge Flows Within Multinational Corporations, "*Strategic Management Journal*", 21(4), pp.473–496.
8. Harzing A.-W., Pinnington A.H. (eds) (2011): *International Human Resource Management*, 3rd edition, London: Sage.
9. Lundan S.M. (ed) (2002): *Network Knowledge in International Business*. Cheltenham: UK, Northampton: USA: Edward Elgar.
10. Perechuda K. (2013): *Dyfuzja wiedzy w przedsiębiorstwie sieciowym. Wizualizacja i kompozycja*, Wrocław: Wyd. Uniwersytetu Ekonomicznego we Wrocławiu.
11. Stosik A. (2005): Zarządzanie wiedzą i kapitałem intelektualnym w małych firmach, in K. Perechuda (ed), *Zarządzanie wiedzą w przedsiębiorstwie*. Warszawa: PWN.

SMALL AND MEDIUM-SIZED ENTERPRISES IN EUROPEAN UNION

Grażyna KARMOWSKA, Mirosława MARCINIAK
West Pomeranian University of Technology, Szczecin, Poland
E-mail: grazyna.karmowska@zut.edu.pl

Summary: Small and medium-sized enterprises are often referred to as the backbone of European economy, providing a potential source for jobs and economic growth. They may be viewed as important players in the wellbeing of local and regional communities, with considerable potential for employment creation. The paper examines development of SMEs across the EU member states, illustrated by rankings according with selected indexes, taking into account in the SME sector in the EU countries against the backdrop of general economic situation. Enterprise statistics were analyzed by number of enterprises, employment size and value added generated by this sector. Studies have shown that the economic situation of the country has a some impact on the access of companies from the MSE sector to various sources of financing, especially for debt financing. The dynamics of structural change, the SME sector shows that the increase in the number of enterprises is not always accompanied by improvements in productivity and increased employment. Apart from economic development, certain legal and administrative regulations fostering the growth of the SME sector must be put in place.

Keywords: development of SMEs, comparative analysis, source financing

1. Introduction

Small and medium-sized enterprises (SMEs) are often referred to as the backbone of European economy, providing a potential source for jobs and economic growth. SMEs are defined by the European Commission as having less than 250 persons employed. They should also have an annual turnover of up to EUR 50 million or a balance sheet total of no more than EUR 43 million (Commission Recommendation of 6 May 2003). These definitions are important when assessing which enterprises may benefit from the EU funding programs aimed at promoting SMEs, as well as in relation to certain policies such as SME-specific competition rules. Annual structural business statistics with a breakdown by size-class are the main source of data for an analysis of SMEs. A limited set of the standard SBS variables (number of enterprises, persons employed, value added, etc.) is available mostly down to the 3-digit (group) level of the activity classification (NACE), based on criteria that relate to the number of persons employed in each enterprise. The number of size-classes available varies according to the activity under consideration (<http://ec.europa.eu/eurostat/web/structural-business-statistics/structural-business-statistics/sme>).

One of the main challenges authors face in their examination of countries of the EU is to come up with a precise definition of the research subject and with accurate selection of regional development factors that can be used in further analysis as variables – those features have to capture selected aspects of SME's development. They also have to meet formal, statistical and subject matter selection criteria. The research material was data and reports from Eurostat. The research problem this paper attempts to address is: Is it true that the better the country's economic conditions are, the higher is SME financing? As changes in access to sources of funding received for the development of entrepreneurship, the efficiency of the economy, and the labour market?

2. Trends in the national economy of countries

One of the basic criteria for the evaluation of the economic development of the country's gross domestic product (GDP), while the *GDP per capita* is used, inter alia, to compare levels of development between Member States, whether the assessment of the convergence process. The basic characteristics of the statistical *GDP per capita* shows the Table 1.

Table 1: GDP per capita (PPP in \$) in years 2008 & 2012

Years	Maximum	Minimum	Interval	Average
2008	84 734	14 566	70 168	33 482
2012	89 577	15 672	73 905	33 831
Difference	4 844	1 106	3 738	349

Source: own compilation

Increase the value of the average, maximum and minimum economic level growth of EU countries, while the increase in spreads in 2012 about ok. 3.7 thousand. \$ testifies to this divergence between the countries of the EU. To capture the diversity of levels of economic development between countries, compared the rankings were based on countries' *GDP per capita* indicators for the years 2008 and 2012 and calculated their the growth rate (Table 2).

Table 2: Comparison of rankings according of GDP per capita and listing of growth rate (2012/2008)

Country	Ranking in 2008	Ranking in 2012	Growth rate of GDP per capita
Luxembourg	1	1	5,7%
Netherlands	2	2	-1,1%
Ireland	3	3	3,5%
Sweden	4	5	4,2%
Austria	5	4	8,8%
Denmark	6	7	5,0%
Finland	7	9	0,0%
Germany	8	6	12,5%
Belgium	9	8	8,2%
United Kingdom	10	11	-2,1%
Italy	11	12	1,1%
France	12	10	5,6%
Spain	13	13	-4,2%
Cyprus	14	14	-6,6%
Greece	15	20	-17,1%
Slovenia	16	15	-3,8%
Czech Republic	17	16	4,7%
Portugal	18	18	0,2%
Malta	19	17	11,1%
Slovakia	20	19	8,1%
Estonia	21	21	8,2%
Hungary	22	24	8,9%
Lithuania	23	22	15,5%
Croatia	24	25	3,2%
Latvia	25	26	11,8%
Poland	26	23	25,4%
Romania	27	27	15,5%
Bulgaria	28	28	7,6%

Source: own compilation

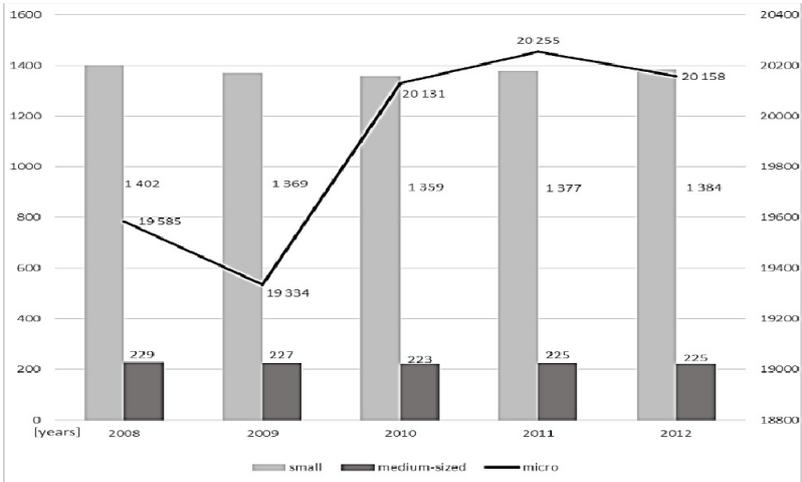
In both rankings in the first place was Luxembourg. While the lowest *GDP per capita*, more than five times lower, were Bulgaria and Romania. In the year 2012 in comparison to 2008,

only six countries showed decline in GDP *per capita*. The largest occurred in Greece (17%), and a few percentage in the Netherland, United Kingdom, Spain, Cyprus and Slovenia. The largest increase in GDP *per capita* reached Poland (ca. 25%), Romania and Lithuania (ca. 15%) and German ok. 12%. Whether along these changes to growth entrepreneurship in countries surveyed, increased funding for SMEs?

3. Structural and performance changes of Small and Medium-sized Enterprises

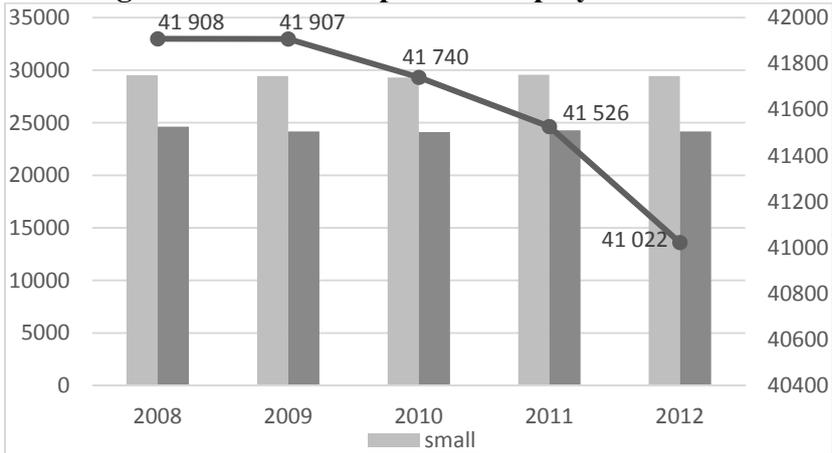
Overall, SMEs accounted for 66.5% of all European jobs in 2012 and for over €3.4 trillion value added at current prices against a total value added produced by the private, nonfinancial sectors of approximately €5.9 trillion. Graphically quantitative changes of the SME sector show charts on Fig.1 and Fig.2. using the typology of enterprises due to the number of working.

Figure 1: The number of enterprises (of all SMEs) for years 2008-2012 (in thousands).



Source: own construction

Figure 2: Number of persons employed in SMEs

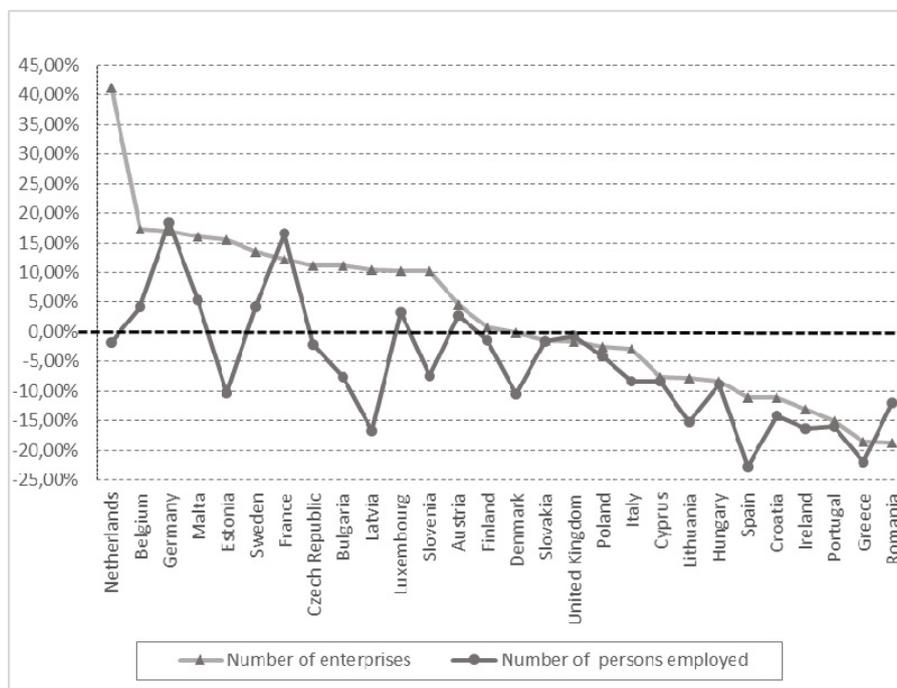


Source: own preparation

Analysis of the changes that have occurred in the whole SME sector showed that they were small. The number of enterprises micro type increased by 0.3 p.p., while the other the small by 0,25 p.p. and the medium-sized in 0.05 p.p. In turn, the analysis of the changes in the field of employment showed that during the period the number of persons employed in the MSE sector decreased by 1.5 million persons (1.3% of the total employees). The largest reduction

in employment (about 885,5 thou. persons) appeared in the smallest group of companies (micro) and smallest (about 75.5 thous. persons) in a group of companies classified as small. Important changes can be observed during the detailed analysis of individual countries. It has been calculated for each of these indicators of the dynamics of change (growth rates) for the years 2008-2012 including the number of enterprises and the number of persons employed.

Figure 3: The structural changes of SME in 2008-2012 by EU countries



Source: own preparation

By analyzing the increases at the level of countries, it is noted that for half of the cases (14 countries) there has been an increase in the number of enterprises, but only for 1/4 of the whole the increase in employment. The biggest business development occurred in Germany, which have reached over 17% increase in terms of both the number of enterprises and employment. A high level of growth have also countries such as: France, Malta, Belgium. In the case of the Netherland over 40% increase in the number of enterprises was accompanied by a slight decline in employment (-1.7%). The worst situation prevailed in the countries hardest hit by the crisis (Spain, Greece, Ireland and Portugal). Relatively high decline in employment (over 10%) have been reported also in Romania and in the Baltic States (Denmark, Estonia, Latvia and Lithuania).

To this end, using statistical measure derived indicators, classification criteria have been adopted to estimate the level of changes in individual countries. Table 3. lists the criteria and classification symbols, and in Table 4. the results of the examination of the classification of the countries surveyed.

Table 3: The classification ranges for dynamic indexes and their symbols.

Symbols	Interpretation	Number of enterprises	Number of persons employed	Value Added
↑↑	High growth	$\geq 16,27\%$	$\geq 4,77\%$	$\geq 4,78\%$
↑	Average growth	$< 2,58\%; 16,27\%$	$< -5,44\%; 4,77\%$	$< -0,58\%; 4,78\%$
→	Moderate decrease	$< -11,10\%; 2,58\%$	$< -15,65\%; -5,44\%$	$< -5,95\%; -0,58\%$
↓	Large decrease	$< -11,10\%$	$< -15,65\%$	$< -5,95\%$

Source: own compilation

Table 4: The results of the comparative analysis of the dynamics of changes in the SMEs

Growth rates of the number of enterprises	Symbols	Growth rates of the Value Added			
		↑↑	↑	→	↓
↑↑	X	Belgium, Germany	Netherlands	X	
↑	Malta	Austria, Luxembourg, Sweden	Bulgaria, Czech Republic, Estonia, France, Latvia, Slovenia	X	
→	Finland, Slovakia	Denmark, Hungary, Lithuania, United Kingdom	Cyprus, Italy, Poland	Croatia, Spain	
↓	X	Greece	Portugal, Romania	Ireland	
Growth rates of the number of persons employed	Symbols	Growth rates of the Value Added			
		↑↑	↑	→	↓
↑↑	Malta	Germany	France	X	
↑	X	Austria, Belgium, Luxembourg, Sweden, United Kingdom	Czech Republic, Netherlands, Poland	X	
→	Finland, Slovakia	Denmark, Hungary, Lithuania	Bulgaria, Estonia, Cyprus, Italy, Slovenia, Romania	Croatia	
↓	X	Greece	Latvia, Portugal	Ireland, Spain	

Source: own compilation

On the basis of the data table, it was found that only 6 countries together with the increase in the number of enterprises and number of employed has increased the Value Added (VA). Among the surveyed countries the highest business development with increasing economic efficiency occurred in Malta. The worst situation in terms of VA dynamics prevailed in Croatia, Ireland and Spain.

Employment growth is not always favored an increase in VA. Only for 7 countries both phenomena have the same trend. Despite the drop in the number of enterprises and persons employed in them in Finland and Slovakia observed a high increase in VA.

4. Analysis of SME Access to Finance

Small and medium-sized enterprises (SMEs) represent over 99% of businesses in the EU so it is crucial to support their growth and innovation. However, one of the most important issues facing SMEs is their difficulty accessing finance. The European Commission works to improve the financing environment for small businesses in Europe. European Union financing programs are generally not provided as direct funding. Aid is channelled through local, regional, or national authorities, or through financial intermediaries such as banks and venture capital organisations that provide funding through financial instruments (http://ec.europa.eu/growth/tools-databases/crowdfunding-guide/index_en.htm).

The European Commission developed the SME Access to Finance (SMAF) index to monitor developments in SMEs' access to financial resources, and to analyse differences between EU countries. The index is calculated using a baseline of EU 2007=100, and so allows comparison between countries and across time. The index is a weighted mean of two sub-indices: access to debt finance index (85% of the weighting) and access to equity finance index (15% of the weighting) (http://ec.europa.eu/growth/tools-databases/smaf/index_en.htm) The composition of the two sub-indices sets out the 14 indicators that cover the index, with

nine included in the debt finance sub-index and five in the equity finance sub-index. The index is calculated using data from European Central Bank for debt; from European Venture Capital Association and European Business Angel Network for equity and from the EC and ECB's Survey on the Access to Finance of SMEs (SAFE) for both sub-indices. High values in the overall Index and its sub-indices indicate better performance of the access to finance indicators relative to the EU level in 2007. Table 5 shows the general characteristics of the SMAF index for 2007-2012.

Table 5: Basic statistical measure of the SMAF index

Statistical measure	2007	2008	2009	2010	2011	2012
Maximum	116,70	117,86	119,78	124,41	122,79	122,59
Minimum	80,83	78,21	74,57	86,45	81,76	79,28
Interval	35,87	39,65	45,21	37,97	41,03	43,31
Average	100,00	99,29	102,00	105,36	105,31	106,06
Median	102,36	101,49	104,43	105,79	106,13	107,06
Variability in %	8,72	9,27	11,56	9,47	9,19	9,89

Source: own compilation

The SMAF value for the EU28 declined between 2007 and 2008. From this point the value increased again until 2010, before levelling off. The EU SMAF index score for 2012 is 106, indicating an improvement of 6 points with respect to the score in 2008. The value of SMAF for many EU countries has increased since 2008 when the EU average for SMAF hit its lowest point. For 22 out of 28 member states, the SMAF score has increased between 2008 and 2012.

Sub-index on access to debt finance is comprised of indicators based on the take-up of different sources of debt finance, SME perceptions of loan finance and actual data on interest rates. The EU28 debt sub-index value has increased by 8 points since 2008. Across member states, 23 countries have seen their relative performance on this sub-index improve since 2008. Latvia represents the strongest performing country, whereas Greece, Cyprus, Italy, Portugal and Sweden have the least favourable environment for debt finance.

The sub-index on access to equity finance is calculated with data from the European Venture Capital Association and the European Business Angel Network reflecting investment volumes and numbers of beneficiaries. Here Lithuania, Ireland, Estonia, Denmark, Hungary and Finland are the strongest performing countries, whereas Luxembourg, Portugal and Sweden have the least favourable equity finance environments. The EU28 sub-index value has decreased by 1 point since 2008. 13 countries have improved their relative performance in the equity finance sub-index between 2008 and 2012. However, differences in the value of the sub-indices indicate the causes of changes in ranking positions for each country.

For 12 countries was worsening funding ranking SMAF, which is not always due to the deterioration of debt financing and equity financing. The largest decrease in Cyprus with 17 items resulted mainly from drastic deterioration of debt financing, a small improvement of the capital finance. A similar situation but in a much smaller scale in Italy. In the United Kingdom as well as in Luxembourg, Slovakia, Belgium and Poland, the situation was reversed. Debt financing has improved and significantly weakens the enterprise capital funding.

The least favourable financing conditions have occurred in Greece, Portugal and Sweden, where the diminished financing both debt and equity for the development of enterprise.

5. Conclusions

The economic situation of the country has some impact on the access of companies from the MSE sector to various sources of financing, especially for debt financing. Hence, the biggest business development has been reported in countries such as: Luxembourg, Netherlands, Germany, France, and Austria. However, this does not always increase access to financial sources for the development of the SME' sector.

The dynamics of structural change, the SME sector shows that the increase in the number of enterprises is not always accompanied by improvements in productivity and increased employment (Estonia, Latvia, Netherlands).

It can be safely concluded, that a country's higher economic development (measured by selected diagnostic variables) does not translate into higher SME financing (captured by SMAF index). Apart from economic development, certain legal and administrative regulations fostering the growth of the SME sector must be put in place.

References

1. A recovery on the horizon. Annual Report on European SMEs 2012/2013 (2013)
2. Key figures on European business with a special feature on SMEs (2011), Eurostat European Commission Luxembourg: Publications Office of the European Union
3. Saisana M. (2012) Monitoring SMEs' performance in Europe Indicators fit for purpose, JRC Scientific and Policy Reports. Report EUR 25577 EN Statistical Office of the European Communities
4. <http://ec.europa.eu/eurostat/web/structural-business-statistics/structural-business-tatistics/sme>
5. http://ec.europa.eu/growth/tools-databases/crowdfunding-guide/index_en.htm
6. http://ec.europa.eu/growth/tools-databases/smaf/index_en.htm

INCREASING ELECTRONIC COMMUNICATION BETWEEN ORGANIZATIONS AND LOCAL GOVERNMENT: A SOLUTION FOR ECONOMIC DEVELOPMENT OF THE WESTERN REGION OF ROMANIA

Adela Suzana COLȚA

West University of Timisoara, Faculty of Economics and Business Administration, Timisoara, Romania

E-mail address: suzy_adela@yahoo.com

Summary: The current information society is based on simplified operations using new information technologies. Using information technologies simplifies and streamlines the conduct of economic activities, increases efficiency and provides a somewhat less bureaucratic environment for the new digital economy.

Since we are all members and active players in this digital economy, the use information and communication technologies determines businesses to keep up with the constant changes that appear over night thus helping them register obvious improvements regarding, performance, operation mode and communication methods.

This paper is based on a survey and examines the role of electronic communication in organizations interaction with the local government, as well as the importance and benefits of using electronic services. Organizations express their openness and interest for electronic services, on one hand, and the lack of attraction for the local public government website, on the other hand, therefore we will try to identify the main reasons that limit the interaction by electronic means between organizations and local public government and formulate some answers that may lead to a better delivery of government services and improved interactions.

Overall, the study confirms that the business environment is ready to embrace all new informational technologies as well as the fact that organizations are aware of the benefits of using electronic means of communication in relation to the local public government, and in certain circumstances tend to prefer more this type of electronic communication.

Keywords: electronic services, business environment, local public government, information and communication technologies, electronic communication

1. Introduction

The implementation of new information and communication technologies brings major changes on all business activities and on the area in which they operate. We consider that the computerization of economic activities is one of the most important components and the “secret” of a successful business. At the same time is a very important step for the entry of enterprises in the new digital economy. One of the challenges

The current information society is based on simplified operations using new information technologies. Using information technologies simplifies and streamlines the conduct of economic activities, increases efficiency and provides a somewhat less bureaucratic environment for the new digital economy.

With the implementation of these information and communication technologies in all activity fields, we can see several benefits such as: adoption of new work methods, decrease of the unemployment rate, competitive environment, research development and improved public services.

Electronic government refers to the implementation and use of instruments and systems available through information and communication technologies with the purpose of providing improved public services to citizens and enterprises. These technologies are already used in private enterprises, as well as in public enterprises, but electronic government does not involve only the use of instruments but much more.

The main objectives of this scientific demarche is the intent to offer some answers to the current issues as well as to try and identify some possible solutions that could help in the development and improvement of the business environment of the Western Region of Romania.

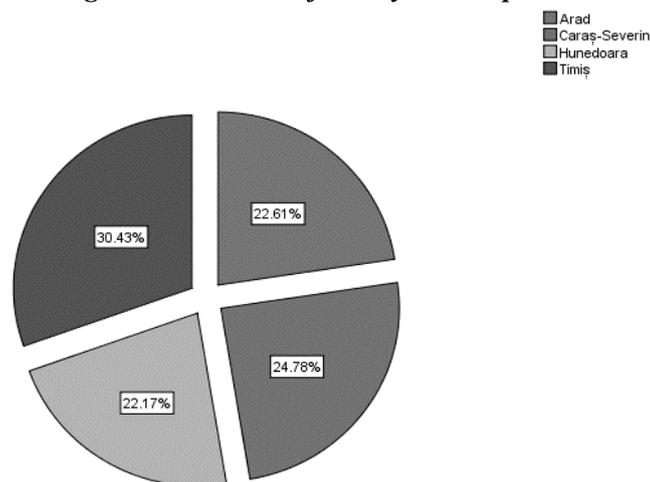
2. Research methodology

The research method consisted of the development of an online questionnaire by using Google Drive application, during the period June-September 2014. With Google Docs within the application the results obtained from the respondents were automatically registered in a data base generated by this service. The program used to analyze and interpret data was SPSS (Statistical Package for the Social Sciences), which is generally used for processing and interpretation of statistical data.

The target group of this study consists of 230 enterprises from the Western Region of Romania. This questionnaire is intended to analyze the role of electronic communication in the interaction of organizations with the local government, as well as the importance and benefits brought by the implementation and use of electronic services.

Regarding the location of the undertakings participating in the study, questionnaire responses showed that 30.40% of the enterprises are located in Timis county, 24,80% are located in Caras-Severin, 22.60% of respondents are headquartered in Arad County and 22.20% of enterprises are located in Hunedoara county. Considering the shares of Western Region enterprises, most of them are located in Timis county, nearly 50%, while the smallest share is represented by Hunedoara county, approximately 10%.

Figure 1: Location of surveyed enterprises



Source: SPSS processing of data obtained from surveyed respondents

3. Data analysis and main findings

In order to demonstrate the importance of using information and communication technologies, I considered it is important to identify the main means of communication used in the professional activity of enterprises (Figure 2). The results present the following:

69.10% of respondents use most often communication via phone, and fax; communication by email is proffered by 66.10% of respondents; 37.8% of enterprises participating in the study

prefer classical communication, and communication through magnetic media is preferred by 22.2% of respondents (Figure 2).

Figure 2 Means of communication used in enterprises' economic activity

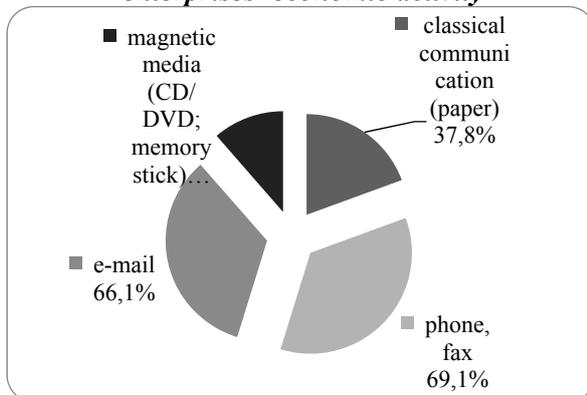
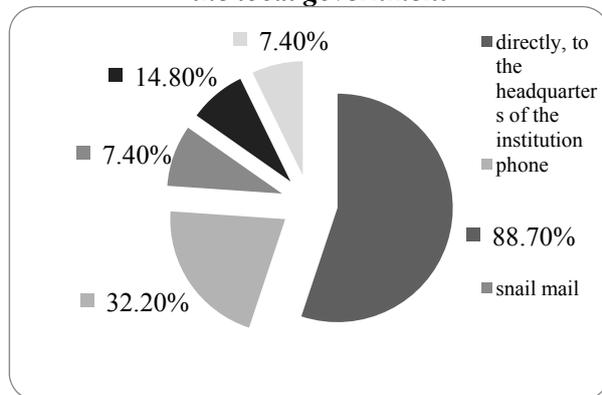


Figure 3 Contact methods used in relation with the local government



Source: SPSS processing of data obtained from surveyed respondents

Secondly I analyzed the main communication methods used by enterprises in their interaction with the local government (Figure 3). Regarding the contact methods used most often in relation to local government, over 80% of respondents affirmed they still prefer the classic version or in some cases are forced to resolve some issues in person, directly at the headquarters of the institution. It is worth noting that electronic methods register a high percentage of almost 30%, 14.80% of respondents said they use e-mail and the phone and website each registered 7.40%.

The third aspect analyzed referred to the familiarization of enterprises with the city hall website and the usability of this contact modality (Figure 4). After analyzing the data the following were found: 10.40% of respondents said they had visited the website quite often, 4.8% of enterprises often claimed to have visited the website very often, a percentage of 22.60% of businesses said they rarely visited the site and 23.90% of respondents stated that they have not visited the website at all.

Figure 4 Familiarization and usability of the city hall website

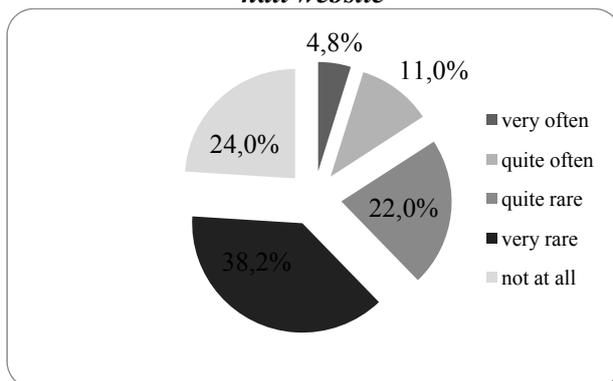
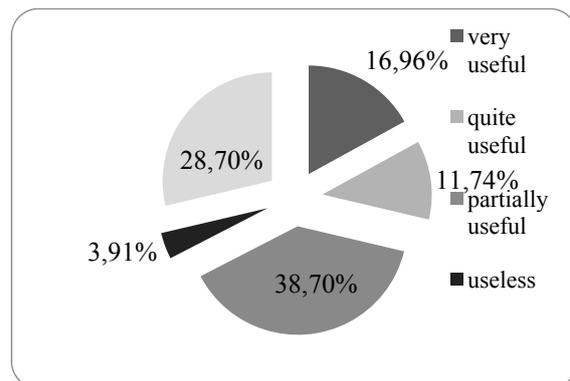


Figure 5 Efficiency of the city hall's website



Source: SPSS processing of data obtained from surveyed respondents

Another component of our study was to determine the effectiveness of the city hall website in informing final consumers (Figure 5). After analyzing the data, the majority of respondents considered that the site is partially useful, namely 38.7%, a percentage of 28% of respondents stated that they have used this medium; 17% of respondents consider the site to be very useful, and 3.9% of respondents consider the site to be useless in terms of information.

Our attention was focused to assess the level of satisfaction of respondents regarding the use of electronic means in relation with the local government. The most often used electronic method of communication is considered to be via e-mail, that is why during this study we addressed the question “If you contacted the local government via e-mail what is your level of satisfaction?” 17.4% of respondents said they are satisfied, and 3.5% of respondents are very satisfied (Figure 6).

Figure 6 Level of satisfaction in using e-mail in relation to local government

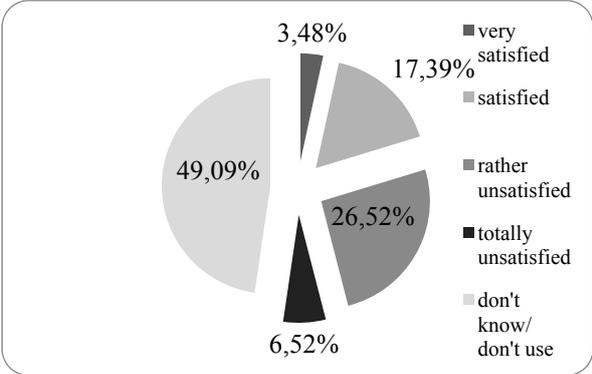
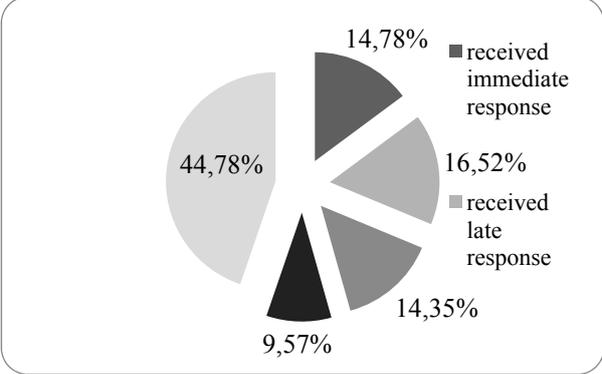


Figure 7 Circumstances noticed when using e-mail in relation to local government

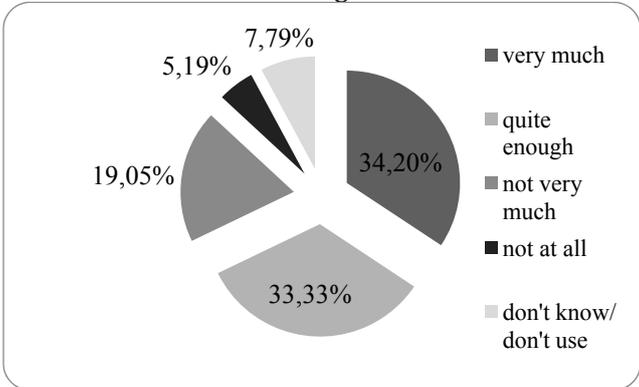


Source: SPSS processing of data obtained from surveyed respondents

It should be noted that we have a percentage of over 30% of respondents who said they are rather unsatisfied, respectively totally unsatisfied, this should alarm the bodies, identifying problems and improving e-communication between the administration and the end user. The fact that there is a significant degree of dissatisfaction among respondents regarding the communication via e-mail with the local administration I considered it important to identify the circumstances that determined dissatisfaction among users (Figure 7). Nearly 15% of survey participants received an answered immediately after contacting local authorities through e-mail 16.5% of respondents received a late response, 14.30% of respondents were not understood in their request, requiring further clarifications and nearly 10% of respondents have not received a response after using e-mail as a means of communication with the local government.

Furthermore I wanted to analyze the subjects' perception on the use of electronic services and their benefits in terms of reducing the time allocated to e-interact with the local government, basically the intent was to determine if respondents believe that the use of electronic services saves time in their relation with the local government and thus helps improve their activity.

Figure 8 Respondent's perception regarding the time saved by using electronic services in relation with the local government



Source: SPSS processing of data obtained from surveyed respondents

As can be seen from Figure 8, of the undertakings participating in the study, a percentage of 34.2% believe that the use of electronic services reduce very much the time allocated to their interaction with the local government, 33.3% of enterprises believe that the time spent with interaction is reduced pretty much through the use of electronic services. In contrast, 19% of respondents affirmed that the use of electronic services does not reduce very much the time spent interacting with local government and 5% believe that the time for interaction is not reduced at all by the use of electronic services.

4. Conclusions

In Romania, most enterprises are quite reluctant when it comes to the use of electronic services not necessarily when it comes to their economic activity, but mostly when it comes to their interaction with local governments and public authorities, even though they are aware of the technological progress and the necessity and benefits brought by the use of information and communication technologies.

From the results of this scientific approach we found that there is a certain degree of reluctance from businesses when it comes to the use of electronic means, so we wanted to see what are the main reasons that impede their online interaction with public administration, and obtained the following results: on privacy issues and data security, almost 70% of respondents consider this very important reason that limits their interaction. Almost 40% of respondents believe that electronic interaction is limited because electronic procedures are complicated and that they consume too much time (about 30% of respondents consider this important), not knowing the methods to use these services. And the reason that the online interaction is limited because there are no known electronic procedures available is considered to be important by 30% of respondents.

In conclusion it is not enough to have access to the newest technology, it is also important to use it in order to improve your activity, and this should be applied both by enterprises, as well as by public authorities. The local government should take some actions to inform better the end users regarding all their services and should encourage the use of information technologies and electronic services in all activities where it is possible. On the other hand, businesses should try to get out of “their comfort zone” and be more opened to new ways that could help their economic activity.

5. Acknowledgement:

This work was supported from the European Social Fund through Sectorial Operational Programme Human Resources Development 2007-2013, project number POSDRU/159/1.5/S/134197, project title “Performance and Excellence in Postdoctoral Research in Romanian Economics Science Domain”

References

1. Capgemini, IDC, Rand Europe, Sogeti and Dti (2010): Digitizing Public Services in Europe: Putting ambition into action”, 9th Benchmark Measurement, December 2010, Prepared for: European Commission, Directorate General for Information Society and Media
2. Dănăiață, D., Margea, C., Hurbean, L., Artene A.S. (2014): *Electronic services for business environment*, SIM 2013, Procedia – Social and Behavioral Sciences 124 (2014), pg. 351-360
3. European Commission, (2013): Directorate-General of Communication networks, Content & technology, *Public Service Online, Digital by Default or by Detour, Assessing User Centric e-Government Performance in Europe–e-Government Benchmark 2012*, insight report
4. Lee, G. and Kwak, Y. H., (2012): An open government maturity model for social media-based public engagement, *Government Information Quarterly*, vol. 29, pp. 492-503

DEVELOPMENT AND IMPLEMENTATION OF SUSTAINABILITY-ORIENTED INNOVATION IN POLISH SMALL AND MEDIUM-SIZED ENTERPRISES

Monika ZAJKOWSKA

Higher Hanseatic School of Management, Slupsk, Poland

E-mail: monika.zajkowska1@wp.pl

Summary: Innovation is key for companies to stay competitive and to successfully compete in changing markets and environments. One way of innovation with rising importance for companies is sustainability, a concept which aims to integrate ecological and social dimensions into conventional management. Sustainability relates to the triple bottom line and implies that besides conventional economic, ecological and social aspects are to be met in order to truly achieve long-term “sustainable” solutions. The main objective of the study is to identify the potential of Small and Medium-Sized Enterprises (SMEs) in Poland to undertake challenges and actions in the sphere of Sustainability-Oriented Innovation (SOI). The study included an analysis of the response of SMEs to increasing environmental requirements and the impact of investments in eco-innovation on the competitive potential of Polish enterprises. Furthermore, the research covered the development potential of SOI among SMEs. Development level of markets for technologies, products and services characterised by high environmental values was analysed. For the purposes of this study, the following broad definition of SOI was adopted: Sustainability-Oriented Innovation (SOI) is the commercial introduction of a new (or improved) product (service), product-service system, or pure service which – based on a traceable (qualitative or quantitative) comparative analysis – leads to environmental and (or) social benefits over the prior version’s physical life-cycle.

Keywords: Sustainability-Oriented Innovation (SOI), Small and Medium-Sized Enterprises (SMEs)

1. The concept of Sustainability-Oriented Innovation (SOI)

With the ongoing discussions on innovation recently, an interesting picture emerges, blending in with the problems of the present article. Now, innovation has long been understood and described primarily in terms of economic benefits. Today, it is increasingly defined as a strategic objective socio-economic activities of modern enterprises. This concept becomes so more capacious semantically. At the moment it is no longer only about innovations within the meaning of the creation of goods or services that provide companies a return on investment, but also on such innovative activities that would increase social welfare, would protect the environment and encourage the development of societies.

For companies more and more important is sustainability as a one of the alleys of innovation (Paramanathan, 2004; Roome, 1994; Sharma, 2002; Wagner & Schaltegger, 2003). Sustainability relates to the triple bottom line and implies that besides conventional economic, ecological and social aspects are to be met in order to truly achieve long-term “sustainable” solutions (Klewitz & Hansen 2011). In the future, firms will need to adopt more sustainable practices and outputs if they are to retain their legitimacy — their social licence to operate — and thrive. Accordingly, Sustainability-Oriented Innovation (SOI) aims at improving or entirely building new product concepts in which economic, ecologic and social criteria are the guiding principles (Hansen et al., 2009). The ability to innovate in the domain of sustainability is a capability that firms need. The concept of SOI builds on Wagner and

Llerena (2008) and considers SOI not as a qualitatively new form of innovation, but as innovations with a positive net effect on the overall capital stock. The concept takes on the notion that the objective and absolute evaluation of an innovation's sustainability effects is currently unfeasible.

Hansen, Grosse-Dunker and Reichwald (2009) define SOI as innovations which are individually perceived as adding positive net value to the overall firm's capital stock. Applying the sustainability concept of the constant capital rule on the field of innovation, it is arguable that sustainability innovations are innovations which maintain or increase the overall capital stock (economic, environmental, social) of a company. Wagner and Llerena (2008) describe "sustainability-related innovations" as better-managed innovations, "[...] where more target criteria are integrated and made mutually compatible". For the purposes of this study, the following broad definition of SOI was adopted (Hansen & Grosse-Dunker 2009): Sustainability-Oriented Innovation (SOI) is the commercial introduction of a new (or improved) product (service), product-service system, or pure service which – based on a traceable (qualitative or quantitative) comparative analysis – leads to environmental and (or) social benefits over the prior version's physical life-cycle. Because the sustainability orientation incorporates social and environmental dimensions alongside economic ones, it introduces new challenges also for Small and Medium-sized Enterprises (SMEs) in Poland. Especially as it progresses, SOI requires more integrated thinking. Firms must reconsider their capabilities, stakeholder relationships, knowledge management, leadership and culture.

2. Building competitive edge of SMEs based on development and implementation of SOI

Innovation projects undertaken is one of the main sources of competitive advantage for companies in the global economy, which is reflected in the introduction of innovative products or services (Blaetter - Miech 1998). In particular, in the face of diagnosed depletion of non-renewable natural resources, great potential lies in the implementation of innovations based on the principles of sustainable development (Chen 2008, The driver of [...]; Chen, 2008 The positive Effect [...]; Janicke & Jacob 2004) being an element of innovation in a broader sense.

In the years 2013-2014 was carried out their own qualitative research in the formula IDI (Individual In-depth Interview) on a group of 29 randomly selected SMEs in Poland, based on the assumption that the results of the quantitative study prepared CATI (Computer Assisted Telephone Interview) on a sample of 278 respondents. The main objective of the study was to determine the potential of SMEs, which seems necessary to take on the challenges of development and implementation of Sustainability-Oriented Innovation.

The majority of surveyed companies believe that the introduction of SOI in the company affect the company's competitiveness both domestically and internationally. This is dictated largely convinced that the introduction of SOI has an impact on building the company's image. According to experts ratio between the level of SOI and image of the company already operates or begins to function in Poland. This information is confirmed by the results of quantitative research - more than half of the surveyed companies were of the opinion that innovation based on sustainability may be an element increasing their advantage in the market, and almost 60% are of the opinion that innovation based on sustainable development has a positive impact the company's image. In the next few years it is expected to be increasingly common for businesses to take marketing activities aimed at promoting the image of the firm conducting the foundation of sustainable development.

The most common views about the value of SOI actions in building a competitive edge in the market are companies that recognize the impact of their activities on the environment and implement such solutions already or plan to do so in the next 3 years.

Respondents of the qualitative survey were mostly opinion that the ratio between SOI and the level of awareness of image of the company either already exists or begins to form. One expert said that companies are increasingly using the slogan talking about the fact that the technology is green. He also emphasized that he believes we will see more and more entrepreneurs marketing campaigns that will be directed at promoting pro-environmental action of the product.

The study participants could not agree when replying to a question about awareness of eco-innovation relationship with the image of the company among entrepreneurs. Slightly more often respondents stated that most traders are aware of the fact that the image can be built for pro-ecological and social innovation, and that in the countries of the former European Union level of awareness of eco-innovation relationship with the image of the company is stronger than in Poland, the greater the awareness of those entrepreneurs who export goods to the European Union. It was found, for example, that overseas trade union about issues of ecology is said to have long and seriously, while in Poland entrepreneur treat ecological issues as a necessary evil. However, there have also respondents who said that on the Polish market, yet in general such a link can not be seen, because of the lack of environmental awareness among consumers and pro-social milestones and targets. Lack of awareness of the fact that in this way you can build its market position is also present, according to participants in the qualitative study, at the very entrepreneurs.

Based on studies it can be concluded that, as ecological consciousness of the whole society influences the desire to build the image based on the ecological message, so the message in return affects social consciousness. Half of the surveyed enterprises using the CATI method emphasize, that in its marketing strategy eco-friendly nature of the product/service, with the majority of companies (58% of responses) as the reason for the ecology of the strategy indicates expectations/demands of the market, while 37% of companies using ecology as a part of shaping its image. Eco-friendly activities in their marketing plans significantly more often emphasize the company's characterized by a high impact on the environment. Companies that have already introduced SOI in the area of products, in organizational or marketing, or are planning its introduction, in the belief that SOI constitute a competitive advantage, would like to use for this purpose with the support of funds from the European Union.

In sum, more than half of the surveyed companies believe that SOI may be a form of part to increasing their competitive advantage in the market. One in four surveyed companies plan to introduce sustainable solutions that will allow them to achieve market advantage (so the vast majority of companies planning to such action assumes that they will be a source of competitive advantage). This position is also in line with the opinion of the majority of environmental experts. In their view ratio between the level of SOI, and the image of the company is just starting to function in Poland and in the next few years considerably develops.

3. Motivation for development and implementation of SOI in SMEs

The main motivation for the use of the aspects of sustainable development in the strategy of most companies (58% of responses) are the expectations of the market, while 38% of companies use it as an element in shaping their image. Such a system of incentives is probably dictated a stronger link between enterprises operating in Poland with companies from highly developed countries of the European Union, where the level of awareness of the SOI connection with the building of competitive advantage is much stronger. This position is supported by the fact that more awareness is also characterized by those Polish entrepreneurs who export to the EU countries.

It should be noted, however, that the use of ecological aspects in the development strategies of SMEs is not always associated with the actual activities undertaken by entrepreneurs in improving their environmental and social impacts. Often companies use these elements to self-promotion, considering that these are the expectations of the market, although in reality no action in this regard are not taken.

Adopting a pro-ecological activities often depend on external factors beyond the control of entrepreneurs. These factors can stimulate one hand, to take action to improve their own environmental impacts, on the other hand can be a barrier, whose defeat for the entrepreneur is often impossible. It should be noted that the implementation of environmentally friendly solutions is often associated with considerable financial outlay. Reducing pollutants emitted into the air or noise reduction requires significant investment, often beyond the budget of Polish SMEs. Thus, among the factors supporting the involvement of entities in this area, most often respondents indicated the possibility of obtaining financial support for the implementation of this type of investment. It is not just about funding opportunities covering part of the investment, but for all kinds of tangible support in the financial aspect, for example use of tax exemptions.

The majority of respondents stated that they are interested in the activities of SOI is mainly related to the economic aspect of the company. External stimuli which affect the innovation should use this opportunity. It was also pointed booster aspect of social consciousness, which directly affects the SOI interest among small and medium-sized enterprises. Some of the participants interviewed mentioned a state policy that can act as both motivating and demotivating. As examples of incentives for included: information activities, control activities, and building systems for financial support for entrepreneurs. State policies have a negative result on interest innovations in the field of sustainable development are associated with wide-ranging and long bureaucratic administrative procedures.

It is clear that the respondents even a small amount, compared with the contribution incurred financial assistance from the state or any other type of relief would have been a great support for Polish SMEs. The increasing awareness, increasing search by consumers "green products", dependence cooperation with a specific contractor from fulfilling his legal environmental requirements, is the main stimulus to boost the activity of entrepreneurs in this field. It should however be noted that the respondents' answers show that the most significant impact on the activities undertaken by SMEs with ecological character, played by economic factors such as the level of society's wealth, income level, the pace of economic development. Respondents indicated a significant, positive correlation between consumers' wallets and the level of interest and the search for environmentally friendly solutions, which translates according to the respondents to motivate SMEs to implement environmentally friendly innovations.

The majority of respondents say they will keep an upward trend in the implementation of SOI in small and medium-sized enterprises. In this context, there are often comments about the economic crisis, which will force entrepreneurs a more rational use of resources. The study participants also mention at this point about the effects of the climate package, so that probably will reduce the demand for electricity. In the presented opinions prevailed positions of the existence of three main barriers: economic, administrative, and legal.

4. Conclusion

The level of awareness of Polish SMEs in the development and introduction of SOI, is still at a low level. A factor that can have a positive impact on raising awareness of entrepreneurs are environmentally friendly and pro-social attitudes of consumers, who - taking election-oriented products or services, may affect the necessity of providing such goods. The vast majority of

entrepreneurs from the SME sector do not decide to implement SOI even on the scale of the company, and most of those who take such actions - makes it at that level. Almost half of businesses include in their plans the opportunity to focus their development strategies for the implementation of projects of sustainable development. One in four intends to make such an investment in order to improve their competitive position. Implementation of the actions of a sustainable development requires new technologies and the introduction of innovative enterprise management solutions and organization. It is necessary to build in it these organizational structures that integrate sustainability activities with all the tasks of the company. It also noted entrepreneurs who increasingly use various instruments contributing to the improvement of the social and environmental effects of entrepreneurial activity.

References

1. Blaetter-Miech B. (1998): Innovations towards sustainable economy – the integration of economy and ecology in companies, *Sustainable Development*, p. 6, 49-58.
2. Chen Y. (2008): The Driver of Green Innovation and Green Image – Green Core Competence, *“Journal of Business Ethics”*, p. 81, 531-543.
3. Chen Y. (2008): The Positive Effect of Green Intellectual Capital on Competitive Advantages of Firms, *“Journal of Business Ethics”*, p. 77, 271-286.
4. Hansen E., Grosse-Dunker F., Reichwald R. (2009): SI Cube – A Framework to Evaluate Sustainability-Oriented Innovations, *“International Journal of Innovation Management”*, p. 683-713.
5. Janicke M., Jacob K. (2004): Lead Markets for Environmental Innovations: A new role for the Nation State, *Global Environmental Politics*, 4:1, February 2004, p. 31.
6. Klewitz J., Hansen E. G. (2011): Sustainability-oriented innovation in SMEs: A systematic literature review of existing practices and actors involved, *Paper presented at XXII International Society for Professional Innovation Management (ISPIM) Conference, 12-15 June 2011, Hamburg, Germany.*
7. Paramanathan S., Farrukh C., Phaal R., Probert D. (2004): Implementing industrial sustainability: the research issues in technology management, *“R&D Management”*, (No. 5/2004), p. 527-537.
8. Roome N. (1994): Business Strategy, R&D Management and Environmental Imperatives, *“R&D Management”*, p. 65-82.
9. Sharma S. (2002): Research in corporate sustainability: what really matters? *Research in corporate sustainability. The evolving theory and practice of organizations in the natural environment*, eds. Sharma, S. & Starik, M. Elgar: Cheltenham, UK.
10. Wagner M., Llerena P. (2008): *Drivers for Sustainability-Related Innovation: A Qualitative Analysis of Renewable Resources, Industrial Products and Travel Services.* Document de Travail, n° 2008–22. Working paper.
11. Wagner M., Schaltegger, S. (2003): How Does Sustainability Performance Relate to Business Competitiveness?, *“Greener Management International”*, 44 (Winter 2003), p. 5-16.

SMALL AND MEDIUM ENTERPRISES AND RESTRUCTURING THE SOCIETY IN PENANG, MALAYSIA: LOCAL WISDOM PERSPECTIVES

Mohamad Zaini ABU BAKAR

School of Social Sciences, Universiti Sains, Malaysia

E-mail: Zainiab08@gmail.com

Summary: Business and industry play a crucial role in developing economic elements of the political system. Balanced participation and ownership for all ethnic groups is one of the prerequisites for socio-economic stability. Unfortunately, in Malaysia particularly Penang, these sectors have been monopolised by the non-Bumiputera. Thus, the program to develop a viable Bumiputera Commercial and Industrial Community (BCIC) is essential to tackle the underlying ethnic problem in line with the objective of restructuring the society. The act to rectify Bumiputera (or Malay) participation in this sector was seen as a priority under the government blueprint development policy. Therefore, this paper will discuss two important sectors firstly, balanced participation in small and medium business sector, and secondly, balancing all ethnic groups participation in small and medium scale industries. Within the framework of a local Wisdom, all of these action plans in the management of inter-ethnic relations were a product of consultations, negotiations and compromises between the communal elites. In spite of the fact that the goals of restructuring the society have not yet been reached, when the general features of ethnic comparisons are made, there has been much progress made towards reducing socio-economic unevenness. As a result, the government with cooperation from various parties particularly the local communities has succeeded in maintaining social stability since the 1970s until today.

Keywords: Small and Medium Enterprises, Restructuring the Society, New Economic Policy, compromises and social stability

1. Introduction

Small and medium scale business consists of hawkers and stallholders. This sector is important since it is the basic foundation of the Bumiputera commercial and industrial community. Unfortunately, statistics show that Malay participation in the area of small and medium scale business is not encouraging. The task force committee which is established to study the problems of the Bumiputera participation in this sector has identified five factors: (i) lack of interest due to insufficient exposure to the opportunities available in this sector; (ii) capital problem, particularly venture capital; (iii) no strategic location and business sites affordable by the Malay entrepreneur; (iv) lacking in skill and experience to manage the business; and (v) low profile of education. (Jamelah Bakar, 1994). A report by the task force committee states that in 1974, out of 5,004 hawker licences authorised by the local council, only 373 or 7.5 percent are owned by Malays. Meanwhile, in term of stall ownership, Malay only owned 9.7 percent or 444 stalls out of 4,642 stalls operating actively in Penang (Arshad Hashim, 1994). This statistics show an imbalance in this sector. The act to rectify Malay participation in this sector was seen as a priority under the NEP.

Thus, various efforts have been taken to encourage and to increase Malay participation in this sector. Several government agencies such as Majlis Amanah Rakyat (MARA), Penang Regional Development Authority (PERDA), District Office, Urban Development Authority (UDA), Penang City Council and Seberang Perai City Council together with the Penang

Bumiputera Steering Committee have provided the necessary facilities such as business sites, capital loan, and courses and training in business management skill in order to overcome the problems and obstacles that have been identified by the task force committee. These agencies are responsible to provide business sites, capital loan facilities, courses and training in business management skills and increase the allocation of business licences to the Malays. Consequently, from this integrated approach in 1985, the number of stalls built and allocated for Malay were increased to 944 or 26.3 percent out of 3,586 stalls in Penang. Table 1 (a), 1(b) and 1(c) shows detail on the business facilities provided by the respective government agencies

**Table 1 (a): Business Premises provided by Urban Development Authority (UDA)
Penang, (until June 1993).**

No.	Location	Type of Premise	Unit	Allocation	
				Malay	Non-Malay
1	Tanjong Tokong				
	Phase I	Shop	10	10	-
	Phase II	Stall	10	9	1
	Phase III	Shop	9	-	9
2	Lebuh Macallum	Shop Houses	1	1	-
3	Jalan Perak	Shop Houses	6	6	-
4	Jalan Riang	Shop Houses	2	2	-
5	Taman Selat	Shop	8	8	-
6	Jln.Kampung Gajah	Shop Houses	3	3	-
7	Taman Koperasi Jelutong	Shop Houses	3	1	2
8	Jalan Padang Lalang	Shop Houses	3	2	1
9	Taman Bunga Raya	Shop Houses	4	4	-
10	Jalan Gelugor	Shop Houses	2	2	-
Total			61	48	13

Source: Urban Development Authority, Northern District.

**Table 1 (b): Business Premises provided by Penang Bumiputera Participation
Steering Committee (until June 1993).**

	Project	Type of Premise	Unit	Allocation		Vacant
				Malay	non-Malay	
1	Bagan Butterworth Complex	Four Storey Business Complex	128	73	29	26
2	Bukit Mertajam Complex	Three Storey Complex	70	24	5	41
3	Balik Pulau Complex	Three Storey Complex	46	45	1	0
4	Sungai Bakap Complex	Stall	13	0	0	13
5	Kepala Batas Complex	Three Storey Business Complex	26	0	0	26*
6	Tasek Gelugor Complex	Bazaar/Business Complex	49	0	0	49*
7	Batu Feringgi Complex	Business Complex/ 3.5-Storey Accommodation	32	0	0	32*
Total			364	142	35	187

Source: Bumiputera Participation and Coordinating Section, Implementation and Coordinating Unit, Prime Minister Department. Note: *no tender yet.

Table 1 (c): Business Premis provided by other Government Agencies in Penang (until June 1993).

	Agency	Type of Business area.	Total Unit	Allocation		Vacant
				Malay	Non-Malay	
1	Seberang Perai North District Office	Stall	70	67	3	-
2	Seberang Perai Middle District Office	Stall	87	83	1	3
3	Seberang Perai South District Office	Stall	98	88	3	7
4	North east District Office	Stall	9	8	1	-
5	Southwest District Office	Stall	129	106	-	23
6	Penang MARA	Complex/ Arcade	63	63	-	-
		Shop Houses	33	33	-	-
		Shopping Complex	13	13	-	-
		Bazaar	34	34	-	-
7	Seberang Perai Municipal Council	Public Market	606	97	461	48
		Stall	345	96	146	103
		Hawker Lot	1,412	253	909	250
8	Penang Municipal Council	Market	2,661	279	1,837	545
		Temporary Hawker Stall	2,429	252	1,703	474
		Stall Complex	1,261	345	563	353
		Mobile Hawkers	4,199	609	3,590	-
		On the Road Stall	156	1	155	-
		Cacklane/Roadside Stall	85	3	82	-
		Private land stall	414	45	369	-
9	State Development Office (PKN)	Stall Complex	547	364	157	26
10	Housing Development Section State Penang State Secretary Office	Stall and Hawker Complex	173 (5*)	35	128	5
11	Penang Regional Development Authority	Stall	100	100	-	-
Total			14,924	2,974	10,108	1,837

Source: Seberang Perai North District Office; Seberang Perai Middle District Office; Seberang Perai South District Office; Northeast District Office; Southwest District Office; Seberang Perai Municipal Council; Penang Municipal Council; Penang State Secretary Office and Penang Regional Development Authority. Note: * Surgery and Post Office.

2. Restructuring of ethnic composition participation in Small and Medium Scale Industries (SMI)

The industrial sector is the heart of Penang economy. It has developed rapidly since the 1970s. The Penang state government has given priority to the export-oriented manufacturing industry as their economic activities. Parallel to this policy, the state government has established free trade zones and tax free policies as incentives to encourage local and foreign investors to invest in Penang. Apart from bring in some foreign capital and technology this policy created job opportunities for the local people as well. According to Datuk Mokhtar Haniff, General Manager of Penang Development Corporation (PDC) the incentive and facilities provided has succeeded to attract foreign and local investments into Penang. For instance, in 1970 there were only 31 firms in the PDC industrial zone which offer 2,784 job

opportunities. In 1993, the number of investors has increased to 637 with 162,703 job opportunities (Mokhtar Haniff, 1994).

However, the Malay participation in this sector was very poor. For instance, in 1970, there was no Malay participation at all. Therefore, in order to encourage the Malays to participate in this sector the Penang Development Corporation (PDC) has provided special program for Malays to venture in SMI. According to Datuk Noor Ahmad Mokhtar Haniff, the PDC General Manager, the PDC has actively implemented the SMI program since 1971 by providing 62.81 acres site (to the Malay entrepreneurs), which consists of 6.64 acres of industrial zone in Bayan Lepas, 8.45 acres of Mak Mandin industrial zone and 47.72 acres of industrial zone in Perai (Noor Ahmad Mokhtar Haniff, 1994). Besides that the PDC has also provided various other facilities such as factory building for Malay entrepreneurs, and the PDC has organised entrepreneurship development programs such as “Vendor Development Program and Venture Capital Fund” with the cooperation of Malaysian Technology Development Corporation (MTDC).

Impact of the program: As a result, the encouragement programmes in the small and medium scale business sector as discussed above have succeeded in increasing Malay participation in this sector. For instance, in 1970, Malay represents 8 percent hawkers and 13 percent of the stallholders. The Malay participation had improved by 1993 when the record showed that the number of the registered Malays in small and medium scale business sectors with the Penang City Council and Seberang Perai City Council, was 14.6 percent and 21.81 percent respectively (Bumiputera’s Economic Convention, 1994). Meanwhile, for the impact of the SM-Industry programmes, the PDC report stated that there were 134 firms in 1993 that possessed Bumiputera equity of RM 345.98 million or 8.7 percent out of RM 3.9 billions paid-up capital of the firms in the PDC area. Four of those firms were 100 percent Bumiputera with paid-up capital of RM 15.14 million. Meanwhile, 17 firms were joint ventures among Malays and non-Malay with Malay equity exceeding 50 percent. The other 113 factories were also joint ventures between Malays and non-Malays with the former equity less than 50 percent. The achievement for both programmes however, is still far behind the target as outlined in the NEP. Thus, in order to consolidate the achievement towards restructuring the society, the Penang state government has launched a scheme called a Penang Venture Promotion Corporation (PVPC) as part of the plan to create cooperation and close relationships:- firstly, among local entrepreneurs and multinational corporations; secondly, the Bumiputera and non-Bumiputera, and thirdly, successful Bumiputera entrepreneurs and new entrepreneurs towards the creation of a BCIC. The PVPC, which will be accessible to all sectors and categories of entrepreneurs, are aimed to:

- a) Provide venture capital to existing or aspiring Bumiputera entrepreneurs on a meritcum-need basis;
- b) Promote professional consultation, feasibility studies, management expertise and training to new businesses and boost the capability and capacity of the new entrepreneur; and
- c) Open up avenues for the Bumiputera and non-Bumiputera to cooperate and pool resources in terms of capital, labour, entrepreneurship and business knowledge. (Penang Into the 21st Century, 1992).

3. Conclusion

Based on the discussion above the New Economic Policy is making dramatic changes in Malay society in Penang. In spite of the fact that the NEP’s goals have not yet been reached, when the general features of ethnic comparisons are made, there has been much progress made towards reducing socio-economic unevenness. However, this conflict management

measure has been criticised because it is based on the belief that greater interethnic equality has been achieved by creating greater economic and class differences within ethnic groups. For instance, Jomo noted that income disparities within the Malay community are higher than among other ethnic groups (Jomo K.S, 1994). Likewise, Means argues that although the NEP was designed to resolve some of the problems created by ethnicity, it also reinforces ethnicity by defining more and more issues in ethnic terms. He stressed that

“The quotas may be the subject of interethnic political bargaining, but they also intensify ethnic identities and ethnic conflicts. On the other hand, the system has also helped to break down ethnic compartmentalization, and schools, the workplace, and the neighbourhood have been made much more ethnically balanced. The result has not been integration or loss of ethnic identity but a more pluralized form of interaction in many more aspects of the economy and the society”(Means, Gordon, P, 1986).

The government is particularly sensitive to this line of criticism and, according to Means, public policy is being formulated to divert additional resources to assist the poor regardless of ethnic background. This is particularly to avoid confiscatory measures against non-Malay.

“It was particularly fortuitous that offshore oil production reached significant levels in 1971. Oil has been a major factor sustaining Malaysia’s steady economic growth; it provided an increasing amount of revenue for the government. By 1982, 24.7 percent of total federal revenues were derived from oil. These revenues provided the funds for most of the government’s development programs. A shrinking economy would have severely strained domestic harmony and probably forced the abandonment of the goals and strategies of the NEP”.

Thus, the government is still convinced that the NEP is the vehicle for improving inter-ethnic relationships. As had been discussed above, it is evidential that the NEP has served as an effective mechanism to reduce socio-economic gap between ethnic groups and help to maintain social and political stability.

References

1. Arshad Hashim, (1994) “Status dan Prospek Penglibatan Bumiputera Dalam Sektor Perkhidmatan di Pulau Pinang”(or Status and Prospect of Bumiputeras Participations in the Service Sectors in Penang) paper presented in *Penang Bumiputera’s Economic Convention*.
2. Jomo Kwame Sundaram (1994), *U-turn?: Malaysian economic development policies after 1990*, Centre for East and Southeast Asian Studies, James Cook University, Queensland, Australia.
3. Jamelah bte Bakar, (1994), *Kepimpinan dan Melayu Pulau Pinang*, (Leadership and the Penang Malay), Dawn Creations (M) Sdn. Bhd., Petaling Jaya, Malaysia.
4. Means, Gordon p., “Ethnic Preference Policies in Malaysia” in Neil Nevitte and Charles H. Kennedy (eds), *Ethnic Preference and Public Policy in Developing States*, Lynne Rienner Publishers,inc., Boulder, Colorado, 1986.
5. *Maklumat Latar - Konvensyen Ekonomi Bumiputera Pulau Pinang 1994* (or Data Bank - Bumiputera’s Economic Convention, 1994, Universiti Sains Malaysia Pulau Pinang (28 - 31 July 1994).
6. Noor Ahmad Mokhtar Haniff, *Perkembangan Sektor Pembuatan dan Peluang-Peluang Bumiputera Menyertai Industri Kecil dan Sederhana*, (or The Development of Manufacturing Sector and Participation of Bumiputera in the Small and Medium Industries), paper presented in the Penang Bumiputera’s Economic Convention, 31st., July 1994, Universiti Sains Malaysia,

7. Menyertai Industri Kecil dan Sederhana, Penang Bumiputera Economic Convention, July 31st., 1994, Universiti Sains Malaysia, Penang.
8. *Penang Into the 21st Century*, Official Publication of Penang State Government, October 1992.
9. Pulau Pinang Bumiputera Economic Policy Study, (Final Report), Universiti Sains Malaysia, 2008
10. http://www.perda.gov.my/index.php?option=com_content&view=frontpage&Itemid=1&lang=en
11. <http://www.mara.gov.my/en/>
12. <http://economictimes.indiatimes.com/topic/Urban-Development-Authority-of-Malaysia>

MONITORING DEMAND FOR PROFESSIONAL SKILLS IN SMES OF THE WIELKOPOLSKA REGION

Maciej SZAFRAŃSKI, Marek GOLIŃSKI

Poznan University of Technology, Poznań, Poland

E-mail: maciej.szafranski@put.poznan.pl, marek.golinski@put.poznan.pl

Summary: According to the Central Statistical Office of Poland, in the year 2012, there were as many as 8.56 million out of 15.59 million of economically active employees (nearly 55%) with secondary vocational education, post-secondary education or vocational education. In spite of this, entrepreneurs have a deficit of employees with professional skills. Additionally, competences of vocational school graduates are perceived as inadequate by entrepreneurs acting as employers. This concerns both competences directly related to the profession and soft skills. Availability of workers with professional skills in the labour market is a significant factor of economic development; therefore, it is necessary to monitor available knowledge and professional skills in this market, as well as to ensure this information is accessible to entrepreneurs. In Wielkopolskie Voivodeship, System for Professionals was implemented in 2013; one of its objectives is to monitor employer demand for professional skills. The aim of this article, after outlining theoretical aspects of the problem concerned, is to present chosen results of a survey on demand for professional competences, carried out on a sample of several hundred entrepreneurs. The main focus falls on SMEs being an important, specific group of business entities. In the Wielkopolska Region they comprise 99.5% of all registered businesses. The possible directions of research in this field are indicated.

Keywords: professional skills, SMEs, monitoring, system

1. System for Professionals – its origins and main functionalities

System for Professionals may be seen in two perspectives. In the wider perspective, it is a group of subjects and relationships among them. They create an economic and educational network, whose one function is to inform about competences. In the narrower perspective, it is an IT tool facilitating acceleration of access to information about competences in the labour market. The concept of the system was created in 2006 and was developed by the authors and other members of the concept team (Szafranski, Grupka and Goliński 2008, pp. 158-167). Its development and testing was financed as part of Wielkopolska System of Monitoring and Forecasting, in the Human Capital Operational Program System (ed. Szafranski 2011). The system has been operating in Wielkopolskie Voivodeship since 2013, in chosen aspects only. Due to priorities in the regional policy, mentioned in the Summary, the system was first implemented in order to accelerate information flow in the educational and economic network, presented graphically by M. Szafranski in one of his works (2015c). A significant paradigm accepted for the development of the network and system is that vocational education is a preventive action (Szafranski 2015b) as understood in quality management (Szafranski 2013), which lowers costs and shortens the time span of creating knowledge while starting activity in enterprises (Szafranski 2015a).

System for Professionals was designed as a systemic and functional solution, which should meet the needs (changing over time) of various groups of recipients. The structure of the software (source code) and the composition of databases allow development of the tool through functional modifications and day-to-day improvement of the interface. Due to a large

scope of tasks realized in the system and numerous groups of users, the system is composed of modules. In the latest version of the system, released in 2015, the following functionalities can be listed:

A module for the entrepreneur allows precise definition of requirements for an employee in a particular position. The structure of the user interface and dictionaries of the IT tool ensure an intuitive solution to creating an offer for an employee, apprentice or trainee. The system makes it possible to describe the profile of competences; thus, playing the role of a mobile recruitment system; module of employees – a base describing the competence profile, which is automatically compared against job offers in the base; module of career counselling - enables planning the educational path and support in professional development; module of manager of practical training – allows facilitation of the process of managing trainings at the employer's site and organization of forms of employment other than full-time/part-time; module of trainings – a base of offers of courses and trainings responding to the needs of a labour market and complement the formal school education; e-learning module (a module of distance learning) – a form of integrated education and self-education system, which together with “anticipatory” vocational practice, takes the form of triplex education as a developed form of dual education [Goliński, Grupka, Szafranski 2014]; Analytical module – allows production of reports and bipartite analyses in real time on labour market and education in the Wielkopolska Region. Demo access to all modules can be found at <http://demo.zawodowcy.org/>

2. Examples of the use of System for Professionals in monitoring the needs for professional skills in SMEs

2.1. A survey of the significance of professional skills from the perspective of SMEs

Information based on data from the system facilitates solving decision problems: how to shape and complement professional skills of candidates for the job so that new employees can be fully involved in their job positions (higher job quality, lower risk of errors, lower costs of adaptation of the employee in the job position). A chosen example of how to analyse the significance of professional skills from the perspective of SMEs and its change over time is given below.

Table 1 shows basic characteristics of professional skills and their indications in job offers, apprenticeship and training (indication means the entrepreneur marked this skill in the job offer as required in the job position). A total of 757 SMEs registered in the system were used for the survey. It should be stressed that, in spite of the large number of enterprises and indications of skills, the survey from the beginning of 2015 should not be set as a reference point for the whole region and should only be used to talk about the situation in those enterprises that cooperate within the information exchange network. A further development of the network and maintaining entrepreneur activity will enable more detailed analyses and communicate the needs of SMEs in the area of professional skills. Such information should be used mainly by institutions responsible for the policy of the regional labour market, training institutions, public and private entities providing vocational education and occupational counsellors.

Current research suggests that SMEs using the system signal the needs for professional skills according to the Pareto-Lorenz principle. About 25% of skills indicated in offers as necessary translates into 70% of all indications of these skills. The system accepted the classification of professional skills according to the system of vocational education in Poland. Based on the above observation, it may be stated that for the SMEs which use the system, about 70% of skills indicated at least once and those not indicated but described, are not significant. System

for Professionals is a solution giving ground for more statements of this kind, so they can be verified with the active help of entrepreneurs, and in turn influence changes in the system of vocational education.

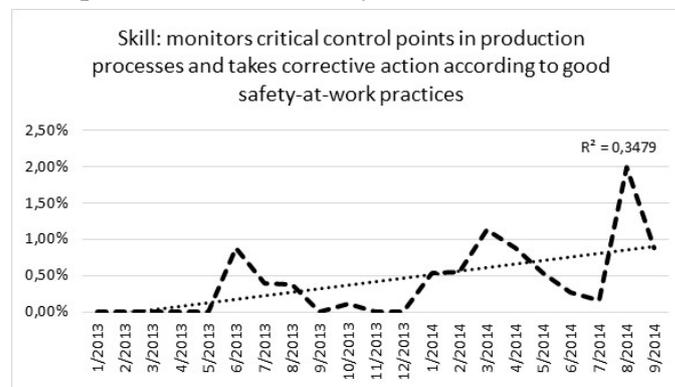
With the use of data from the system, changes of significance of each skill can be monitored, examining the relation of indications of that skill to the total number of indications of all professional skills in job offers, apprenticeship and training. An example of such an analysis is presented in Figure 1. The trend line should be treated as an example (among other aspects, it is necessary to consider the seasonal nature).

Table 1. Basic data from a survey of professional skills (PS) significance based on SME offers in System for Professionals

Period	# of indications of PS in all job offers, apprenticeship and training in the system	PS indicated at least once		70% of all indications of PS in the system	Most often indicated PS, form the group of 70% of indications		30% of all indicated PS in the system	Most often indicated PS, from the group of 30% of indications	
		# of PS	% of all indicated PS		# of PS	% of all indicated PS		# PS	% of all indicated PS
01.2013-06.2014	13 456	2 405	100%	9 485	642	27%	4 087	82	3%
11.2013-04.2015	15 980	2 901	100%	11 261	768	26%	4 872	115	4%

Source: own elaboration based on data from System for Professionals

Figure 1: Changes of the percentage of indications of a chosen skill among all indications of professional skills in System for Professionals



Source: own elaboration based on data from System for Professionals (September 2014)

2.2. Using methods of space analysis for professional skills

2.2.1. Mobility of employers as a determinant in searching for an employee

System for Professionals is dedicated to managers responsible for employee recruitment in SMEs. The needs of entrepreneurs were taken into consideration while designing the system. Among expectations connected with the employee profile description, mobility appeared in “competences”. The distance between place of residence and place of work is often an important factor when choosing a job. Mobility concerns the choice of a job, and before that – the choice of place and method of education. Decision of employees are reflected in the

decisions of employers regarding managing the business (opening a branch, remote work) and payroll policy (commuting and housing expenses compensation). Earlier research of the authors' on mobility was used to design the system (Goliński, Szafranski 2012; Goliński, Szafranski et al. 2012; Goliński 2014). The development of functionalities of the system enables the use of the system on a smartphone.

2.2.2. An example of the use of data from System for Professionals in space analysis

System for Professionals assumes not only day-to-day, detailed communication between employers and employees, but also the possibility to draw conclusions on the labour market. An example may be the use of hierarchical clustering. Table 2 presents a chosen selection of groups of uniform data based on Euclidean distances. Due to the limitations of this article, only potential analytical-prognostic possibilities of System for Professionals are presented. Factors taken for the analysis of sub-regions concerned unemployment figures in the sub-region, number of trades offering jobs, number of job offers and number of professional skills expected by employers.

Table 2: Basic data of significance of professional skills based on offers of SMEs

Region	Area [km ²]	Unemployment [#of people]	Line of business	Job offer	Skills
Poznanski	9 541	41 018	33	207	25 624
Pilski	6 459	21 995	11	29	2 441
Koninski	6 397	23 955	13	21	1 625
Kaliski	5 786	24 823	30	150	24 849
Leszczynski	3 602	13 856	12	19	1 168
City Poznan	261	13 800	32	155	25 274

Source: Data from System for Professionals (April 2015)

As a result of comparison of the qualities mentioned above, characterizing the labour market and employers looking for employees through System for Professionals, a diagram of average differences was created (Figure 2). Based on the analysis of concentration, the following typology groups can be defined: a) Kalisz region and the city of Poznań b) Leszno, Piła and Konin regions and c) Poznań region. The analysis carried out is a starting point for in-depth research based on more synthetic data and for conclusions on the needs of business management.

Figure 2: An example of hierarchical clustering, grouping regions of similar typology based on offers of SMEs from System for Professionals



Source: Data from System for Professionals, software MaCzek 3.3, www.antropologia.uw.edu.pl

Space analyses was based on data obtained from System for Professionals for individual regions or cities facilitate recruitment or trade decisions taken by entrepreneurs, as well as strategic decisions regarding the future development of the business. As the system develops

and data grows, entrepreneurs, especially SMEs, will be offered more precise and complex analyses and forecasts.

3. Future development of System for Professionals and research using the system

The scope of implementation of System for Professionals does not exhaust its possibilities. Developmental work is being carried out and is described by M. Szafrński (Szafrński 2015a, pp. 239-240). It is justified to include other target groups and regions. It is important to convince SMEs to the benefits of participating in the system. They obtain wider knowledge on competences on the labour market and begin to have influence on formal and lifelong vocational education. The system may be used in the strategic aspect, widely described by Romanowska and Gierszewska (Romanowska 2009, Romanowska and Gierszewska 2009). Access to data and information in the system may become the factor that accelerates the shaping of social capital in enterprises and in regions (ed. Bylok and Czarnecka 2011).

References

1. Bylok F., Czarnecka A. (ed.) (2011): Kapitał społeczny w organizacji i regionie. Red. Felicjan, Aleksandra Czarnecka. Wyd. Politechniki Częstochowskiej, Częstochowa.
2. Gierszewska G., Romanowska M. (2009): Analiza strategiczna przedsiębiorstwa, Polskie Wyd. Ekonomiczne, Warszawa.
3. Goliński M. (2014): The use of web application Mobilne miasto [Mobile city] in the conveyance of information about urban space in the system human factor – technology, [in] Advances in social and organizational factors / ed. by Peter Vink : AHFE Conference, Advances in Human Factors and Ergonomics. pp 206-216.
4. Goliński M., Grupka K., Szafrński. (2014): Akcelerator Wiedzy Technicznej® - projektowanie przyszłości, w: Zeszyty Naukowe WEiA Politechniki Gdańskiej Nr 37, I Konferencja e-Technologies in Engineering Education eTEE'2014, Gdańsk pp 81-84.
5. Goliński M., Szafrński M. (ed.) (2012): Integrated support system for access to information in urban space with use of GPS and GIS systems, Wyd. Politechniki Poznańskiej, Poznań.
6. Goliński M., Szafrński M., Graczyk M., Prussak W., Skawiński T. (2012): Technological and organizational determinants of information management in the urban space (based on scientific research), ACM ICUIMC 2012, Feb. 20–22, Kuala Lumpur, Malaysia.
7. Romanowska M., (2009): Planowanie strategiczne w przedsiębiorstwie, Polskie Wydawnictwo Ekonomiczne, Warszawa.
8. Szafrński M. (2013): Propozycja wsparcia działań prewencyjnych w przedsiębiorstwach przez wykorzystanie narzędzia Wielkopolskiego systemu doradztwa edukacyjno-zawodowego in Pracownik w systemach zarządzania, eds T. Borys, P. Rogala, Wyd. UE we Wrocławiu, Wrocław, s. 55-67.
9. Szafrński M. (2015a): Zarządzanie akceleracją tworzenia zasobów wiedzy w przedsiębiorstwach, Wyd. Politechniki Poznańskiej, Poznań.
10. Szafrński M. (2015b): Praktyki zawodowe – narzędzie zarządzania wiedzą wspomagające obniżanie kosztów w przedsiębiorstwie, „Przegląd organizacji”, 1/2015, pp. 29-35.
11. Szafrński M. (2015c): Acceleration of educating as an external factor supporting preventive and improving actions in businesses, Las Vegas, (article expects to publish).
12. Szafrński M. (ed.) (2011): Wielkopolski system monitorowania i prognozowania w zakresie kształcenia zawodowego, Wyd. Politechniki Poznańskiej, Poznań.
13. Szafrński M., Grupka K., Goliński M. (2008): Program akceleracji wiedzy technicznej i matematyczno-przyrodniczej w Polsce, Wyd. Politechniki Poznańskiej, Poznań.

UPS AND DOWNS: HOW THE FIVE COMPETITIVE FORCES OF PORTER SHAPE STRATEGIES IN THE HUNGARIAN MTPL-MARKET

Anett PANDURICS¹, Csaba Bálint ILLÉS²

¹ *Corvinus University, Budapest, Hungary*

² *Szent István Egyetem, Gödöllő, Hungary*

E-mail: pandurics.anett@mpb.hu

Summary: The authors argue that the five forces framework for industry analysis developed by Michael Porter provide a useful strategic management tool for analysing the current developments of the Hungarian MTPL-market. Moreover, the comprehensive analysis of the market forces provides such an insight into the market mechanisms that helps developing successful strategies for the market players of the MTPL-industry. In this first part of the paper, the authors provide an overall description of the methodology, the analysed market and describe its main characteristics using the five forces model of Porter. The analysis provides both theoretical and data-based overview of the five forces: rivalry among existing competitors, threat of new entrants, threat of substitute services and the bargaining power of buyers and suppliers. The results give a plausible explanation for the recent developments of the Hungarian MTPL-market which has been characterized by extreme price competition between (currently) 15 market players and definitely unusual intense rivalry – close to that of the microeconomic perfect competition. We will also analyse the changes in the forces that could shape the future of the industry: due to new regulatory environment, the structure of the MTPL-industry is expected to change significantly thus providing a case for supporting the argument that the five forces are not static, and a dynamic view of the Porter-model for this market can help to develop successful strategies and/or avoid strategic pitfalls.

Keywords: strategy, Porter, insurance, MTPL

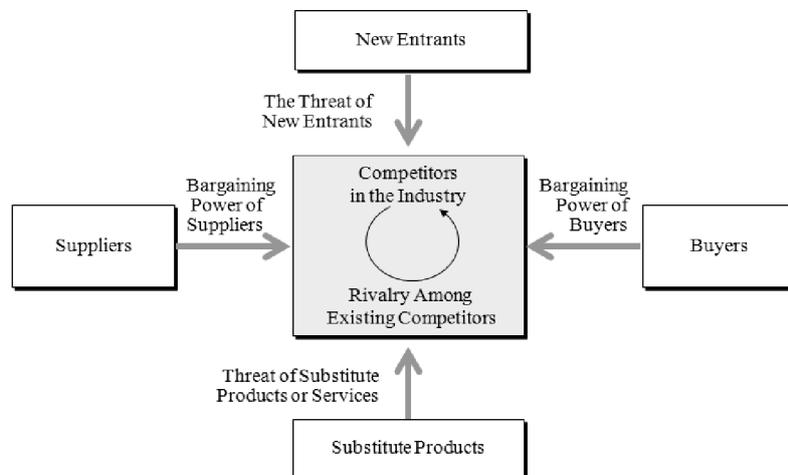
1. Introduction – the theoretical framework

Michael E. Porter burst into the field of strategic management in the 1980s and currently he is among the most influential and best known management gurus. He is recognized as the most important representative of Mintzberg's positioning strategy schools. He has developed various models, definitions and concepts (e.g. value chain, generic strategies, the diamond model of national competitive advantage, however, without doubt, his best known model is the five forces framework for industry analysis). Porter graduated as an aerospace and mechanical engineer from Princeton University and then completed his PhD at the joint business economics/economics program of Harvard University. The knowledge of IO (Industrial Organization) he has gained during his studies play a key role in turning Porter's attention to the industry structure analysis, an unknown field of strategic management at the time. As a result, in 1980 the book "Competitive Strategy" was published which is now considered a classic.

Porter has always acknowledged that each and every company is unique (and the unique characteristics of a particular company have substantial impact on its competitive situation within the industry), however, using the experiences and knowledge related to IO, he was certain that such conceptual framework, thinking pattern existed to describe the rivalry within the industry from which general and practical conclusions might be drawn. The model he

developed fitted this purpose. Let us see how this model can be applied to the Hungarian compulsory motor third party liability insurance (MTPL) market.

Figure 1: Porter's Industry Analysis Model



Source: Porter (2006), p.30

2. The relevant industry: the Hungarian compulsory motor third party liability insurance market

The first step of Porter's industry analysis model is to determine the relevant industry. All authors dealing with this methodology (even Porter himself) frequently emphasize that this step seems to be easy, but may be the source of several typical errors. The MTPL market is such a well-defined and homogeneous market in case of which the risk of a too broad definition of the microenvironment will certainly not arise. At the same time, the legitimate question, whether it may be worth broadening the limits of the industry analysis (e.g. to the non-life insurance market) may arise, as for example none of the MTPL market players operate solely in this industry. Porter suggests on this issue to make our decision based on the analysis of the 5 forces. We will experience that, although in 2013 only 31% of the written premiums of the 15 market players came from the MTPL-market, the market itself has such special characteristics (different from the other insurance classes), on the basis of which it seems reasonable to apply the industry analysis model to the Hungarian MTPL-market.

The best known type of the liability insurances is the compulsory motor third party liability insurance (MTPL), as all motorists come across this service. MTPL is not voluntary, as it is included in its appellation, this insurance is compulsory in the interest of the community. Thus, this ensures that any and all damages caused by motor vehicles are reimbursed irrespective of the solvency of the tortfeasor, and the innocent party is prevented from suffering any disadvantages. Therefore, it is permitted to use a vehicle on the road solely on condition that the operator (owner) obtains valid motor third party liability insurance.

From 1991 such a system was in effect in the Hungarian market, according to which the insured period applicable to the policy of every client corresponded to the calendar year in each and every case, and all insurance companies were obliged to announce simultaneously (until 1 November) their insurance premiums applicable for the following year, and they were not entitled to modify these premiums for a year. Furthermore, the parties had the opportunity to cancel the insurance policies only in November, and the clients could conclude a new contract solely during November-December. As a result, the so called "year-end MTPL campaign" gained high media attention at the end of each year.

Two significant changes have been made to the regulatory environment during the last 10 years. Act LXII of 2009 on compulsory motor third party liability insurance (Hungarian MTPL Act) came in force on 1 January 2010, according to which the insured period does not correspond to the calendar year, but shall be adjusted to the renewal date of the insurance policy. The tariffs valid on the beginning date of the insured period shall be applicable until the next insurance renewal date. Since 2013 another fundamental change has been made to the regulatory environment, the essence of which is that the insurance companies (under the conditions stipulated) may announce new tariffs and change their prior premiums at any time during the year. This was the last step of accomplishing the liberalization of the MTPL market. However, by these two measures, the dynamics of the competition change fundamentally and the intensity of the former year-end campaign decreases.

3. Substitute products

As indicated above, MTPL is a compulsory and practicably standard product, the content of which is regulated (in detail) by specific legislation. Thus, the market players have no such substitute product which may have a negative impact on the market position of the current market players; the threat of substitute products is insignificant. Most of the companies on the market made attempts to differentiate their product. Typically two categories can be distinguished: various insurance riders are offered to the market (e.g. pothole damage insurance, assistance services, tortfeasor insurance rider, accident insurance, etc.) or important guarantees are offered to the clients as a part of their service (e.g. active claim adjustment service). The attempt of brand differentiation can be linked to the latter (e.g. several companies actively communicate their recognitions, prizes, titles). Due to the lack of substitute products, the actual size of the market depends on the numerosity of the Hungarian vehicle fleet: In 2013 there were 4.1 million MTPL policies on the market. In 1998 there were 2.74 million policies on the market and by 2009 their number increased close to 4 million. After declining during 2010-2011, the market has shown growth again since 2012 (Hungarian National Bank (MNB), (2014b)).

4. Barriers to entry

The most important entrance barrier is to ensure compliance with the capital and legal requirements. According to the applicable laws, the minimum guarantee fund in the MTPL insurance class (this is the 10th class in the Hungarian Insurance Act) is 3.7 million EUR in case of either private limited companies or branch offices of third-country insurance companies⁴. However, by the EU accession this entrance barrier became lower for branch offices which come from the EU (where it is sufficient to ensure the combined compliance in the home country), and there was a market player which took this opportunity (ASTRA S.A. Insurance Branch Office in Hungary).

The entrance barriers are medium-high, and since 2004 the barriers of entry have certainly become lower with regard to the insurance companies of EU member states. The number of the market players increased from 10 to 15 between 2003 and 2013 notwithstanding any voluntary or forced exits. On the basis of the experience gained, the threat of new entrants was a reasonable risk for the players already operating on the market. It is the characteristic of the compulsory motor third party liability insurance that liability to pay damages may arise several years after receipt of the written premium and the amount of damages is unknown for

⁴ Section 1 b) of Article 126 of Act LX of 2003 on insurance institutions and the insurance business (Hungarian Insurance Act)

long (e.g. as a result of claims involving bodily injuries). Damage claims may remain unknown / not be reported (e.g. claims are reported late) for a long time, and the claim adjustment procedure itself may take several years. By this reason, specialized literature includes MTPL insurance among the so called “long-tail” insurance classes. In the last 10 years four players exited the market by reason of bankruptcy, portfolio transfer and two voluntary exits. Adequacy of the reserves is highly uncertain and there is also great information asymmetry to the detriment of the potential buyer company. These factors render the market transactions of the MTPL portfolio transfers or the sale of insurance companies with MTPL predominant portfolios significantly more difficult.

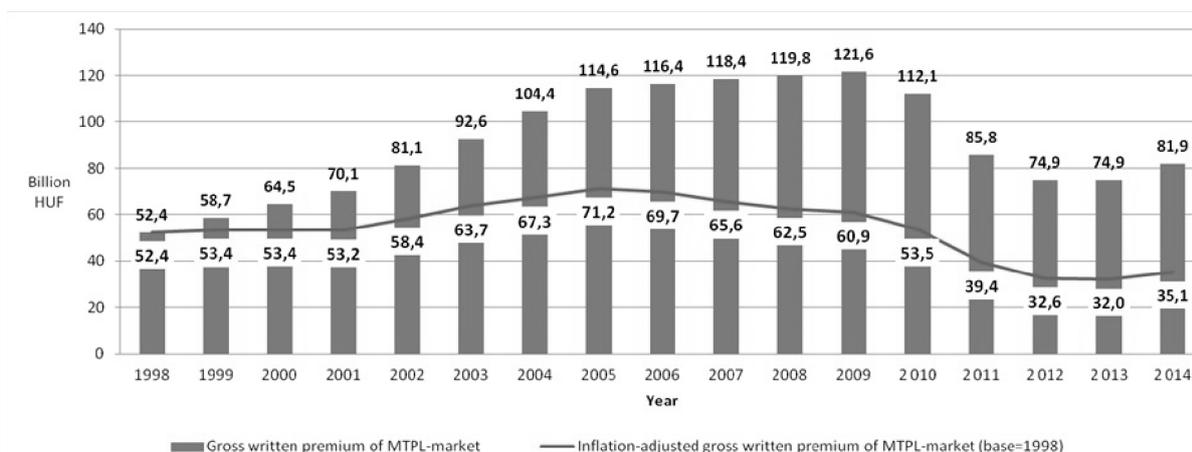
One of the results of the above stated liberalization is that the importance of the campaign period of November-December has notably decreased in two aspects. In parallel to the turnover of the vehicle fleet, less and less motorists have their renewal dates within the campaign period. In 2014 only half of the motorists had the opportunity to change their insurer, the renewal date of the other half of the clients is other than 1 January. According to the other aspect, it was of great strategic importance to the market players to choose the right pricing strategy for the campaign period, because on that single day (when all players simultaneously and blindly laid their cards on the table) the market position of an insurance company, the risk of market loss (and its negative effects) were settled for a year. Therefore, a number of the players tended to choose riskier strategies. Due to the dynamics of the competition, this was the rational choice in many cases (surely in the short term). However, this has changed due the possibility of announcing premiums at any time. Currently the players have the possibility to correct or change their pricing strategy immediately, depending on the competitive situation. This kind of decrease in the importance of the campaign period significantly raises the barrier to entry into the market, as earlier an entry into the market during the campaign period (all entries were performed within this period) promised the entrants the opportunity to quickly capture markets at a lower cost (high media attention, media spending concentrated to this period). A new entrant could acquire several hundred thousand clients within two months by the help of the online insurance brokers (access to this channel demands little time and low costs) and with aggressive pricing.

5. Development of rivalry within the industry

When searching for the answer to the question of how attractive the industry is, the size of the industry is considered to be a key aspect. The MTPL premiums written reached 74.9 billion HUF in 2013. Figure 2 shows how dramatically the written premiums of the market have dropped since 2009: 46.7 billion HUF premium has disappeared from the market and by 2013 the written premiums have fallen by 38 % compared to 2009 with the highest premiums written.

As a result of this, not surprisingly, the dominance of the MTPL market has fallen sharply during the last 15 years. While in 1995 MTPL held a 37% share in the non-life insurance market, in 2013 the size of this share was only 21%. Within the total insurance market the proportion of MTPL has decreased from 22% to 9%. Based solely on these figures, the MTPL market does not seem to be an attractive industry; however, even after the slump of 2010 three of the market players saw the situation differently and made a strategic decision to enter the market. Claim and cost trends have followed the changes of the written premiums. However, costs have decreased to a lesser extent in recent years than the decrease of the premiums. In order to determine the development of claims expenditure, it is a useful piece of information that the claim frequency has dropped significantly on the market (as a consequence of the depression and the introduction of the so-called “zero tolerance” law): while in 2004 the measure of claim frequency was 5.5%, in 2013 it was only 3.2%.

Figure 2: Developments of written premiums of the MTPL market



Source: Hungarian National Bank (MNB) (2014b) and the Hungarian Central Statistical Office (KSH)

One of the most important changes that can be experienced in the MTPL market is the continuous, almost unbroken (with the only exception of 2009) and significant decrease in the degree of market concentration over the last two decades. According to the calculations of N. Kovács, one of the well-established figures of the market concentration, the Herfindahl-Hirschman Index ⁵indicated an index value of 3808 points in 1995, while according to my calculation which is based on the market data of 2013, the HHI shows a much lower concentration; its index value is 1232. (Viewed over an even longer period, this decrease in the market concentration has developed from the fully monopolistic situation of 1986 (State Insurance Company, which demerged into two entities in 1987).

6. The bargaining power of buyers

The bargaining power of buyers is strong. The bargaining power and market position of the individual fragmented players in the retail market are insignificant; however, any and all other factors favour the buyers. This is such a standard, homogeneous product, which is on the one hand very difficult to differentiate, on the other hand excessively price-sensitive; besides, brand loyalty is low (loyalty has any significance only within narrow limits). According to customer perception, practicably speaking, the MTPL product is considered to be “vehicle tax”, as the significant part of the service (not taking into consideration the elements necessary to maintain the contract in effect, the service as a whole) is used not by the client but the injured party, therefore, it is not surprising that the outmost important aspect of decision making is the price. Due to the strong competition, clients have realized significant savings: from the peak value of the MTPL average premiums (35 120 HUF annual premiums by reference to the total market) of 2007 the average premiums have dropped on the market almost by half, to 19 445 HUF by 2013.

Porter (2001) drew attention to the fact that the advent of the internet might have a major impact on the structure of the industry. The microenvironment has altered significantly on the MTPL market. Due to internet use, online insurance brokers (comparative web portals) have strengthened materially in the past 10 years. Dynamics of the market competition through this

⁵The Herfindahl-Hirschman Index (HHI) is defined as the sum of the squares of the market shares of the companies in the given sector. The index value of 10 000 points indicates a monopolistic market, while the index value of 0 points the fully fragmented pure competition.

sales channel have completely changed. Contrary to the classic sales channels having a dominant position earlier, the clients are able to compare the proposals of the different market players in a couple of minutes, to make a decision quickly (typically one-dimensional, price-based), and to take out a new insurance policy or arrange the transition to another insurer (on the basis of a broker mandate). Therefore, switching costs have significantly decreased (close to zero, to the opportunity costs of the few minutes “work”). Besides, price transparency has materially increased on the market. While earlier it was almost impossible to review the complicated discount schemes, to compare prices, as a result of the internet the market has become fully transparent and the former information asymmetry has ceased. During the campaign period the market players simulated an almost perfect competitive market, (where prices would decrease until $MC=MU$ as per the textbook) which had a negative impact on the prospect of profitability of the sector. The argument above is supported by the trend of the number of clients switching their insurer: the development of online channels and competition trends raised the number of these clients to the peak in 2009; over 1.5 million motorists concluded new contracts. In 2014 this number dropped to approx. 300 000.

7. The bargaining power of suppliers

Related costs of operation and development of IT systems and costs of the claim adjustment procedure (which is outsourced to external service providers by most of the market players) represent significant items among the costs of the MTPL market players. The market of the specific IT services is tight, and in most cases the players have to calculate with significant switching costs if they change their partner (the “lock-in” effect applies), therefore, the bargaining position of the suppliers is moderate/strong in this case. The situation is better in the field of claims adjustment, because most of the market players work in a multi-partner model, so its bargaining position is stronger. Besides, procurement of specific expertise and recruitment of co-workers obtaining adequate knowledge may cause difficulties, some of the fields are subject to the upward pressure on price due to the demanding market.

8. Conclusions

In the last 5 years the microenvironment analysis of the MTPL market shows that the forces which determine the rivalry of the industry have changed in such manner which adversely affects the market players. The two most important changes are the increasing intensity of rivalry and the increasing role of the internet. On the basis of my analysis I have come to the conclusion that the rivalry within the industry is intense, the bargaining position of the buyers is moderate/strong, the bargaining position of the suppliers is moderate, essentially no threat of substitute products exist, the threat of new entrants has been significant recently, however it is likely to become minor in the upcoming years due to the legislative changes.

References

1. Act LX of 2003 on insurance institutions and the insurance business (Hungarian Insurance Act)
2. Act LXII of 2009 on compulsory motor third party liability insurance (Hungarian MTPL Act)
3. *Kiechel, W. III.* (2010): *The Lords of Strategy*, Harvard Business Press, Boston, Massachusetts
4. *Kovács, N.*(2010): Direct and indirect evaluation of the market force in the insurance market, SZIE, Győr, October
5. *Association of Hungarian Insurance Companies* (2014): MABISZ Yearbook, 2014, <http://www.mabisz.hu/images/stories/docs/publikaciok/evkonyv-2014-magyar.pdf>, 12.12.2014

6. *Association of Hungarian Insurance Companies* (2014): Insurance market, Q1-Q4 of 2013; <http://www.mabisz.hu/hu/piaci-adatok-jelentesek.html>, 12.12.2014
7. *Magretta, J.* (2012): *Understanding Michael Porter – The Essential Guide to Competition and Strategy*, Harvard Business Review Press, Boston, Massachusetts
8. *Hungarian National Bank* (2014a): Golden Book, Prospectus on the individual data of supervised institutions, 2013; http://felugyelet.mnb.hu/bal_menu/jelentesek_statisztikak/statisztikak/aranykonyv, 12.12.2014
9. *Hungarian National Bank* (2014b): time series of the insurance sector and compulsory motor third party liability insurance (updated with the year-end data of 2013) http://felugyelet.mnb.hu/bal_menu/jelentesek_statisztikak/statisztikak/gepjarmu_felelosseg_biztositas; 12.12.2014
10. *Porter, M. E.* (2006): *Competitive Strategy*, Akadémiai Kiadó, Budapest
11. *Porter, M. E.* (2001): *Strategy and the Internet*, *Harvard Business Review*, March, p.63-78.

IMPACT EVALUATION OF EUROPEAN FUNDS FOR INCREASING THE COMPANIES' COMPETITIVENESS IN THE NORTH-WEST REGION OF ROMANIA

Oana Maria STĂNCULESCU

Faculty of Economics and Business Administration, Cluj-Napoca, Romania

E-mail: stanculescu.oana@yahoo.com

Summary: The assumption of this research paper is that regional competitiveness is significantly influenced by the competitiveness of the companies that are active in the region's territory. In this matter, the purpose is to analyze the impact of the European funds dedicated to increasing the competitiveness of the companies from the North-West Region of Romania. After a seven year programming period, one can ask if indeed these interventions have achieved their objectives. Have the number of jobs and the turnover of the beneficiary companies increased? If yes, have the positive results influenced the regional competitiveness? Thus, in the present research the author is trying to find an answer using the counterfactual method, to the following evaluation question: "Did the intervention have any effect?". In order to respond to this question, one have determined two types of groups: the treated group (containing all the companies that received funds from the North-West region) and the non-treated group (or control group that should include companies with similar characteristics, but which didn't receive any funds). The impact is estimated by comparing the results of the treated group with those of the control group. At the beginning of the analysis, one can plan to draw some requirements that need to be met by the units from the control group.⁶

Keywords: regional competitiveness, impact evaluation, productivity, control group

1. Introduction

This research paper aims to analyze the competitiveness of the North-West development region of Romania, by evaluating the impact that structural and cohesion funds have on the companies' competitiveness in this region (Martin 2005). It has been demonstrated that competitiveness usually refers to firm performance (Bristow 2005; Stănculescu and Rus 2014) In the author's opinion, such an analysis is relevant because the funds which are dedicated to improving the economic competitiveness (such as the Sectoral Operational Programme "Increase of Economic Competitiveness" – SOP IEC), at company level, also helps to increase the competitiveness at regional level. As such, in the paper at hand one will try to find an answer, by applying the counterfactual method, to the following question: "Did the intervention have any effects?".

The Sectoral Operational Programme "Increase of Economic Competitiveness" is one of the seven operational programs applied in Romania. The general objective of this programme aims to "increase of Romanian companies' productivity" and the result indicators of this programme are the turnover and the jobs created in the companies that have received support. The areas covered by the programme are: manufacturing, research and development, IT and communication, energy and it is composed of 5 priority axes, of which one will focus on the

⁶ This work was cofinanced from the European Social Fund through Sectoral Operational Programme Human Resources Development 2007-2013, project number POSDRU/159/1.5/S/134197 "Performance and excellence in doctoral and postdoctoral research in Romanian economics science domain".

Priority Axis 1 – An innovative and eco-efficient productive system, Indicative Operation 1.1.1. Support for strengthening and upgrading the productive sector by tangible and intangible investments, dedicated to SME's with growth potential, particularly active in manufacturing, which wanted to develop and modernize their productive capacity by introducing new technologies.

2. Impact assessment by applying the counterfactual method

One can say that the impact of these interventions can be evaluated, in a proper manner, only after a lengthy period of time (many years), and to properly apply this method requires experience in the field. Even so, one will use the counterfactual method of evaluating the impact that these interventions had on the beneficiaries (SME's from the NW Region). The impact of the *Indicative Operation 1.1.1* described above, determines that there is a difference in performance (from the point of view of the number of employees and turnover) between the SMEs which benefited from this intervention and other similar SME's which have not.

In the scientific literature, there are two major typologies of impact assessment: Theory-based impact evaluation and Counterfactual impact evaluation. (European Commission 2014) The European Commission recommends that both methods should be used, because they are complementary, offering useful information on the way which the interventions work. This reaserch paper will be focusing on the counterfactual method, because, with its help, one can determine, by using a control group, what would have happened to the beneficiaries if the intervention would have not taken place. Of course, the obtained net impact by using this method is an estimate and can be influenced by other factors, not just by the analyzed intervention. From a theoretical point of view, the counterfactual refers to the provisioned evolution of events which would have happened in the absence of the analyzed intervention, respectively the „without intervention” scenario.

The European Commission's Guidelines, EVALSED, proposes a set of instruments which should be used for the estimation of the impact, namely the „Difference-in-Differences” method, the „Regression Discontinuity Design” model and the „Propensity Score Matching” method. (European Commission 2013a) From the ones previously mentioned, we will be using the „Difference-in-Differences” method.

According to EVALSED - The Evaluation Guide for socio-economic development, the European Commission guide, the "difference in differences" (DID) is a relatively simple to implement method. In short, the principle underlying that this method uses is as follows: set up a group of non-beneficiaries, composed of units that share similar characteristics with the beneficiaries of the intervention group. The resulting variable for the two groups is measured before and after the intervention. The control group is evaluated in terms of change throughout the period, compared with the change in the intervention group. The difference between the two changes gives an estimate of the impact of intervention. (European Commission 2013b)

$$\Delta_{T-NT} = E + S_{T-NT}$$

Where :

Δ_{T-NT} = the difference in results observed between the beneficiaries and non-beneficiaries

E = the real effect (and unkown) of the intervention on the result

S_{T-NT} = differences arising from the selection of beneficiaries and non-beneficiaries (selection bias)

The purpose of this method is to estimate the impact of interventions by calculating a double difference: a difference in time (before-after) and a difference across subjects (between

beneficiaries and non-beneficiaries). The availability of data about beneficiaries and non-beneficiaries for at least two periods, allows a more plausible estimate of the impact.

The method was used by many authors: for example, Hart&Booner (2011) used it to evaluate the impact of an intervention ("Invest NI" in Northern Ireland) on the value added, turnover and employees of the companies from Northern Ireland. The conclusion was that there is no significant impact on the value added and turnover, and the impact is significant, but negative in the case of the employment.

3. The development strategy of the intervention and control groups

In order to have a more realistic estimate of the impact one must pay close attention to the selection of the control group; it must include a number of units similar to those in the intervention group, composed of SMEs which have benefited from intervention (Indicative Operation 1.1.1.). The control group should be composed of SMEs which have characteristics similar to those that were supported by the intervention; the only difference between the two groups may be that units of the control group did not receive financial support while in the period of the analysis (2007-2013).

To understand the impact of the intervention, the control group identification is mandatory. Thus, it must meet the following conditions:

- 1.) The control group units must have characteristics similar to those of units in the intervention group:
 - Must be an SME;
 - Must have the same domain and to operate in the same town or, if not, in the same county;
 - Preferably, to be established in the same year as the intervention beneficiary company (many exceptions to this rule);
 - Incorporate similar performance levels, especially in terms of number of employees or turnover, profits etc.;
- 2.) For statistical significance there must be a sufficient number of control units - in terms of sample and the time interval for the comparison of "before-after";
- 3.) The control group, as well as the intervention group, must be based on interpretable indicators, statistically validated, relevant, and data sets for both groups have to be numerical and of high quality.

The number of total observations from the developed database contained both in the control group and the intervention is 262 *companies*. Twelve variables were extracted for each beneficiary and non-beneficiary. The database for the counterfactual analysis includes a complete set of information collected from various sources (Ministry of Public Finance, The Management Authority of the SOP IEC). One can note that this data gathering was a challenge to this paper as the matchmaking was conducted for each beneficiary firm, individually. The types of data available to beneficiaries and non-beneficiaries of the intervention are:

- 1.) *Identification*: company name, year of establishment (only for units in the control group), the title, the year of allocation and the amount allocated (only for beneficiaries of intervention);
- 2.) *Localization*: county, city;
- 3.) *Financial Data*: turnover, profit, debt, fixed assets, current assets, equity, number of employees;
- 4.) *Activity domain* according to the NACE codes.

The database (which contains both the intervention group and the control group) being analyzed in the period 2007-2013 comprises a number of 262 companies from the North-West

region, beneficiary and non-beneficiary, distributed, as follows, by the NACE Rev. 2 codes, 2008: two companies of agriculture (primary sector), 12 companies active in the mining industry, 154 companies active in manufacturing, 68 companies in the construction sector and 26 companies in the services sector.

At the county level, it was noted that the companies which are benefiting the most from interventions are located in Bihor County (40 companies), followed by Cluj County (35 companies), Maramureş (18 companies), Sălaj (16 companies), Satu Mare (15 companies) and Bistrița-Năsăud (7 companies). In the control group, each beneficiary companies was mirrored by a pair firm from the regional counties, with the exception of four companies which have been identified in a county counterpart from another region.

Most companies, both beneficiary and non-beneficiary, are present especially in each county municipality; at their level, one can talk about a higher level of concentration of firms. Thus, in Cluj-Napoca we found 44 companies, followed by Oradea, with 42 companies, Satu Mare - 22 companies, Baia Mare - 14, Bistrița and Zalău with 8 companies. One can assume that the increase of competitiveness in cities where very few companies have benefited from intervention cannot be observed because the improved results achieved by a small number of firms are not sufficient for them to generate positive effects on the area in which they operate. By analyzing areas of activity it has been observed that most companies are active in "Manufacture of fabricated metal products", followed by "Construction of buildings", "Manufacture of other non-metallic mineral products" etc. Because this operation targeted most industries, not having a focused approach on those that contribute to regional identity, the information that we have is not sufficient for identifying specific regional economic activities.

4. The analysis of the intervention's impact on the outcome variables

The two outcome variables, turnover and number of employees, but especially that relating to employment, are factors of regional competitiveness. In most reports and studies with concerns in the field of impact assessment on economic interventions, both variables are addressed. The number of employees is one of the analyzed variables to observe the impact of interventions. In the 2007-2013 timeframe, an increase with 1,559 employees was noticed amongst all companies that have benefited from intervention (25% growth), which is on average 12 employees / firm assisted. In the non-beneficiary companies, the number of employees decreased; in 2013 compared to 2007, the variable decreased by 20 employees. Thus, the *resulting change* is one in the employment rate for the beneficiary companies, a very pronounced change when compared to the one observed in the non-beneficiary companies, which proved to be negative, within the period studied. One noticed that the beneficiaries of intervention have experienced higher levels of employment than non-beneficiaries in the North-West region. However, what one can't know is if this increase in the number of jobs would have happened anyway for the beneficiary companies. Thus, this aspect is estimated with the DID method.

Table 1: Difference in Differences applied to the beneficiaries and non-beneficiaries for employment, 2007-2013, number

Difference	Beneficiaries	Non-beneficiaries	DID
Employment variation 2013-2007	11,90076	-0,15267	12,05344

Source: Table made by the author according to the database with information collected from the Ministry of Public Finance, the SOP IEC

From the table above one can see that in the data set, taking into account both beneficiaries and non-beneficiaries, the variation of employment between the two groups in 2007-2013 is approximately 12 jobs. In other words, the net impact on employment in the group of beneficiaries was 12.05344, in average per firm.

The turnover of the companies is the second analyzed outcome variable in order to observe the impact of the intervention. In the 2007-2013 timeframe, the turnover of the beneficiary companies increased by over 655 million RON, or by 69%, while its growth is more pronounced for the non-beneficiary companies (78%). The results of the variables are different from those of employment. The resulting change is a modification of the turnover recorded for the beneficiary companies, with only 14% larger when comparing with the change observed in the non-beneficiary companies.

Table 2: Difference in Differences applied to the beneficiaries and non-beneficiaries for the turnover, 2007-2013, RON

Difference	Beneficiaries	Non-beneficiaries	DID
Turnover variation 2013-2007	5.002.321,02	4.380.580,60	621.740,42

Source: Table made by the author according to the database with information collected from the Ministry of Public Finance, the SOP IEC

According to the table above it is observed that the intervention had an impact on the turnover of the beneficiaries, but the increase in the timeframe studied was much stronger among non-beneficiaries. It is likely that the turnover of the beneficiaries to have increased anyway, even in the absence of an intervention.

5. Conclusions

By analyzing the two results one can conclude that the intervention had an impact on the two outcome variables analyzed and the beneficiary companies registered increases in both turnover and number of employees. Given the fact it can be stated that the companies from the control group represent the competition for the companies in the intervention group, as they are active in the same market, are located in the same geographical area, are recording similar economic results, then overall it cannot be yet said that the beneficiary companies are more competitive than non-beneficiary strictly based on the examined indicators (employment and turnover).

Of course, it is very important to assess the impact interventions on the jobs and turnover, but also, the impact on output or productivity growth is very relevant. Usually, the effect occurs at production level, but productivity either remains at the same levels or grows, but at a lesser extent. In other words, the main effect is manifested by increasing and diversifying operations and then the capital, employment and output increase proportionally. However, the efficiency growth is usually modest.

References

1. Bristow G. (2005): Everyone's a "winner": problematising the discourse of regional competitiveness, *Journal of Economic Geography*, vol. 5, p. 285-304
2. European Commission (2013a): Evaluated Sourcebook: Method and techniques

3. European Commission (2013b), EVALSED - The resource for the evaluation of Socio-Economic Development
4. European Commission (2014): Guidance Document on Monitoring and Evaluation, Brussels
5. Hart M., Bonner K. (2011): Data-Linking and Impact Evaluation in Northern Ireland
6. Martin R. (2005): A study on the factors of regional competitiveness, draft final report for the European Commission, Directorate-General Regional Policy, Cambridge: University of Cambridge
7. Stănculescu O., Rus A. (2014): Competitive Industries in the North-West Region of Romania – Case Study using Analytic Hierarchy Process, ”*Managerial Challenges of the Contemporary Society*”, vol. 7(2), p. 137-141

PROCESS MANAGEMENT ORIENTATION IN THE FINANCE AREA OF SMALL AND MEDIUM-SIZED ENTERPRISES

Małgorzata OKRĘGLICKA, Anna LEMAŃSKA-MAJDZIK
Czestochowa University of Technology, Częstochowa, Poland
E-mail address: m.okreglicka@wp.pl; lemanska@zim.pcz.pl

Summary: Business processes management (BPM) is a comprehensive approach to implementation of the objectives of an enterprise. The identification of key processes occurring in enterprises enables a more effective management of an enterprise and becomes the key to its success. Every element of the activity of an enterprise should be subject to an effective management. This applies particularly to the area of corporate finance, which is crucial for the efficient functioning of the company. At the same time it is an area in which activities are combined in standardized processes, which should be managed and continuous improved. The article presents the results of empirical research - the survey was conducted in 2015 on a group of 138 enterprises in Poland. The main aim of the article was to identify and analyse enterprises' orientation on BPM, especially in the area of finance, both in current finance, as well as in long-term finances and with a special focus on the SME sector.

Keywords: business process management, financial management, enterprises, SMEs

1. Introduction

Business Process Management (BPM) in an enterprise is an approach to management that concentrates on optimizing the ways business processes in organisations run. BPM refers to a number of areas of a company's operation, such as production, logistics or finances of enterprises. Process management orientation of an enterprise in the financial area has an impact on its efficient functioning and is part of strategic management of an enterprise. As stressed by Liu (2010), strategic management in this area refers to the theory of finance management, according to which finances of an enterprise should be run in the most appropriate way and managed in the most effective way, which can be ensured by using process management in enterprises.

SME sector is an important group of enterprises, which until recently have shown a general tendency not to include elements of process management in their strategy of action (Zimmerer, Scarborough 2005). Failure to identify the existing business processes in finances and make efforts to effectively manage them may represent a threat to this sector of companies (Salazar, Soto & Mosqueda 2012).

2. The character of business processes in an enterprise - selected aspects

Processes can be defined as a sequence of tasks performed within an organisation (Schulte et al., 2015). A business process consists of a set of activities that are performed in coordination within an organizational and technical environment (Gómez-López, Gasca & Pérez-Álvarez, 2015). BPM is a comprehensive approach to the implementation of an organisation's goals and its aim is to increase the efficiency and effectiveness of organizational processes through improvement and innovation (Hamer 2010; Sipa 2010). Every element of the activity of an enterprise should be subject to an effective management. From this perspective, business process management can be defined as all efforts in an organization to analyze and

continually improve fundamental activities such as manufacturing, marketing, communications and other major elements of company's operations (Zairi 1997). The approach of describing organizations in terms of business processes not only helps organizations to be more responsive to environmental changes but also helps them to overcome the problems due to functional differentiation (Melao, Pidd 2000; Tomski 2011). Very often, an enterprise may need to perform a dynamic analysis of their business processes so as to simulate and evaluate different sets of processes that could ensure the efficiency and effectiveness of the business process flow as well as improve the overall performance of the enterprise (Alera, Borrajo, Camacho & Sierra-Alonso, 2002; Gorzeń-Mitka 2013). In every area of an enterprise's activity, including management of finances, BPM involves a detailed analysis of an organisation, and thus a change to the organisational structure (Guha, Kettinger 1993).

As most problems of SMEs have a financial nature (Karadag, 2015), bad management of a company's finances may lead to problems in the operation of this sector (Jindrichovska, 2013). Particularly lack of financial management knowledge combined with uncertainty of the business environment often leads SMEs to face serious problems regarding financial and overall performances, which can even threaten the survival of the enterprise (Kaya, Alpkan 2012). A chance and challenge in this sector is the process approach in the areas of financial analysis of an enterprise, cost management in an enterprise and management of profitability, liquidity and financial control.

3. Business processes in managing finances of enterprises in empirical studies

3.1. Research description and methodology

The aim of the authors' own research was to identify and analyse enterprises' orientation on BPM, especially in the area of finance, both in current finance, as well as in long-term finances and with a special focus on the SME sector. The survey used purposive sampling. It was conducted in 2015 on a group of 138 enterprises classified, according to the size of employment, as small, medium-sized and large enterprises⁷. The research sample was not fully representative, but the size of the research sample certainly allows the authors to draw initial conclusions and identify regularities that can be verified during the further studies.

The dominating group among the enterprises surveyed comprised small companies employing from 10 to 49 people, which accounted for 69% of all the companies surveyed. The second dominating group comprised medium-sized enterprises (50-249 employees), which accounted for 20% of all the enterprises surveyed, whereas 11% of those surveyed were large enterprises. The largest group of companies (65.7%) has operated on the market for over 10 years; 18.6% of them declared functioning on the market for 5 to 10 years, whereas the remaining companies have conducted their business activity for a year to 5 years. Among the enterprises surveyed, almost 55% declared good current financial condition, and over 23.5% assessed their financial condition as very good. Only 3% of all the respondents assessed their current financial situation as very poor or poor.

3.2. Identification of business processes in management of finances of enterprises

The relationships between the variables: number of employees, period of functioning of the company and current financial situation of the enterprise and the answers to the questionnaire

⁷ The survey did not include micro-firms (up to 9 employees), due to the fact that business processes rarely occurred in such companies and firms entering the market (functioning for a period shorter than 1 year).

questions on rank scales (gradable), in the areas of financial analysis of an enterprise, cost management in an enterprise and management of profitability, liquidity and financial control, were analysed by computing tau-Kendalla and correlation coefficients. Test probability at the level of $p < 0.05$ was accepted as significant, whereas test probability at the level of $p < 0.01$ was accepted as highly significant.

Table 1: Diagnosis of business processes in the areas of financial analysis of enterprises

	Number of employees in the company		Period of activity of the company on the market		Current evaluation of the financial situation	
	tau	p	tau	p	tau	p
<i>Financial planning</i>	0.2321	<0.0001	0.0338	0.5533	0.1507	0.0082
<i>Analysis of a company's revenue</i>	0.2531	<0.0001	0.2074	0.0003	0.0767	0.1790
<i>Analysis of a company's costs</i>	0.2048	0.0003	0.0724	0.2047	0.1138	0.0461
<i>Analysis of the value of a company</i>	0.2085	0.0003	0.0776	0.1735	0.2083	0.0003
<i>Analysis of financial liquidity</i>	0.2138	0.0002	0.0363	0.5243	0.1313	0.0214

Source: Own work based on a survey.

Own research shows that the use of process management in the areas of financial planning, i.e. development of plans, analysis of revenues and costs of an enterprise, analysis of an enterprise value and financial liquidity are statistically highly relevant ($p < 0.01$) and positively correlated at a moderate level with the number of employees, i.e. the bigger the number of employees in a company, that is the bigger the enterprise, the bigger the awareness of business processes in the areas of financial analysis of the activity of an enterprise. As far as the period of the functioning of a company is concerned, this relationship was found only when analysing revenues of a company, which may indicate that enterprises that have been functioning on the market for a longer period of time have to have business processes and process management in place, if they want to operate effectively and be competitive on the market (table 1). Summing up, the survey showed that the size of an enterprise mattered during process management in the area of finances of enterprises, which is conducive to effective management.

Table 2: Diagnosis of business processes in the areas of managing costs of enterprises

<i>Management of:</i>	Number of employees in the company		Period of activity of the company on the market		Current evaluation of the financial situation	
	tau	p	tau	p	tau	p
– <i>employment costs</i>	0.2939	<0.0001	0.0928	0.1038	0.1518	0.0078
– <i>production costs</i>	0.1844	0.0012	0.1517	0.0078	0.1379	0.0157
– <i>administration costs</i>	0.0416	0.4656	0.1124	0.0488	0.1046	0.0666
– <i>financial costs</i>	0.0765	0.1802	0.0638	0.2634	0.1773	0.0019

Source: Own work based on a survey.

The survey also showed that among the areas of cost management, only management of production costs is statistically highly relevant, at a low level with the number of employees in an enterprise, period of functioning of an enterprise and evaluation of the current financial activity of a company. Thus, the bigger the enterprise, the longer it has been functioning on the market and the better its financial situation, the more frequently business processes are identified during managing production costs (table 2).

Table 3: Diagnosis of business processes in the areas of managing profitability, liquidity and financial control in enterprises

	Number of employees in the company		Period of activity of the company on the market		Current evaluation of the financial situation	
	tau	p	tau	p	tau	p
<i>Management of profitability</i>	0.2483	<0.0001	0.0346	0.5445	0.1140	0.0457
<i>Management of financial liquidity</i>	0.1241	0.0296	0.0305	0.5926	0.2314	0.0001
<i>Financial control</i>	0.2000	0.0005	0.1964	0.0006	0.1038	0.0687

Source: Own work based on a survey.

The survey shows that financial control in the enterprises analysed is statistically highly relevant and positively correlated with all the characteristics of enterprises, which means that in enterprises that are larger, have been functioning on the market for a longer period of time and have a better financial evaluation, BPM occurs more often within financial control of a company and there is more awareness of the necessity of using process approach in this area of management of finances of enterprises (table 3). This seems justified, as bigger and older companies, having more experience and resources, both financial and human ones, pay more attention to the development of business processes during management of an enterprise.

4. Conclusions

The aim of the survey conducted on a group of enterprises carrying out business activity in Silesian Province (Poland) was to identify and analyse BPM orientation of enterprises, especially in the area of finance, both in current finance, as well as in long-term finances and with a special focus on the SME sector against large companies. The questionnaire survey shows, among other things, that:

- the size of an enterprise matters during process management in the area of finances of enterprises, as the bigger an enterprise, the bigger awareness of occurrence of business processes in the areas of financial analysis of an enterprise’s activity,
- business processes and process management are necessary for enterprises that have been functioning on the market for a longer period of time, if they want to operate effectively and be competitive on the market,
- the bigger an enterprise, the longer it has been functioning on the market and the better its financial situation, the more often business processes occur during management of production costs,
- in enterprises that are larger, have been functioning on the market for a longer period of time and have a better financial evaluation, BPM occurs more often within financial control of a company and there is more awareness of the necessity of using process approach in this area of management of finances of enterprises.

It's worth considering conducting similar studies on a bigger population to identify regularities and present recommendations to enterprises that identify business processes during managing their company.

References

1. Alera R., Borrajo D., Camacho D., Sierra-Alonso A. (2002): A knowledge based approach for business process reengineering, *SHAMASH, Knowledge-Based Systems*, 15, p. 473-483.

2. Gorzeń-Mitka I. (2013): *Doskonalenie jako paradygmat zarządzania współczesnym przedsiębiorstwem*, [in:] *Problemy doskonalenia zarządzania przedsiębiorstwem*, I. Gorzeń-Mitka (ed.), Wydawnictwo Wydziału Zarządzania Politechniki Częstochowskiej, Częstochowa, p.11-21.
3. Gómez-López M.T., Gasca R.M., Pérez-Álvarez J.M. (2015): Compliance validation and diagnosis of business data constraints in business processes at runtime, *Information Systems*, 48, p.26-43.
4. Guha S., Kettinger W.J. (1993): Business process reengineering, *Information Systems Management*, 10(3), p. 13-22.
5. Hammer M. (2010): *What is business process management?* [in:] J. vom Brocke, M. Rosemann (Eds.), *Handbook on Business Process Management: Introduction, Methods and Information Systems*, Springer, Berlin, p. 3-16.
6. Jindrichovska I. (2013): Financial Management in SMEs, *European Research Studies Journal*, 16 (Special Issue on SMEs), p. 79-96.
7. Karadag H. (2015): Financial Management Challenges In Small and Medium-Sized Enterprises: A Strategic Management Approach, *EMAJ: Emerging Markets Journal*, 2015, (5)1, p. 26-40.
8. Kaya S., Alpkın L. (2012): Problems and Solution Proposals for SMEs in Turkey, *EMAJ: Emerging Markets Journal*, 2(2), p. 178-196.
9. Liu Z. (2010): Strategic Financial Management in Small and Medium-Sized Enterprises, *International Journal of Business & Management*, 5(2), p. 887-894.
10. Melao N., Pidd M.A. (2000): Conceptual framework for understanding business process and business process modelling, *Information Systems Journal*, 10(2), p.105-129.
11. Salazar A.L., Soto R.C., Mosqueda R.E. (2012): The Impact of Financial Decisions and Strategy on Small Business Competitiveness, *Global Journal of Business Research (GJBR)*, 6(2), p. 332-349.
12. Sipa M. (2010): *Innovativeness and Competitiveness of Small Enterprises and Market Features*, [in:] *Enterprise in Modern Economy. Innovations*, (ed.) E. Lechman, Wydawnictwo Gdańsk University Technology, Gdańsk, 1, p. 5-25.
13. Schulte S., Janiesch Ch., Venugopal S., Weber I., Hoenisch Ph. (2015): Elastic Business Process Management: State of the art and open challenges for BPM in the cloud, *Future Generation Computer Systems*, 46, p. 36-50.
14. Tomski P. (2011): Paradygmat hiperdynamiki otoczenia a współdziałanie gospodarcze współczesnych przedsiębiorstw, *Zeszyty Naukowe Politechniki Częstochowskiej, Zarządzanie* 1, p. 7-18.
15. Zairi M. (1997): Business process management: a boundaryless approach to modern competitiveness, *Business Process Management Journal*, 3(1), p. 64-80.
16. Zimmerer T.W., Scarborough N.M. (2005): *Essentials of Entrepreneurship and Small Business Management: the Foundations of Entrepreneurship*, The United States of America: Pearson Education.

WHICH TOOLS MAY INCREASE THE PERFORMANCE RELATED TO THE CUSTOMERS PERSPECTIVE?

Péter BÓNA

University of Pannonia, Veszprém, Hungary

E-mail: hunpoto@gmail.com

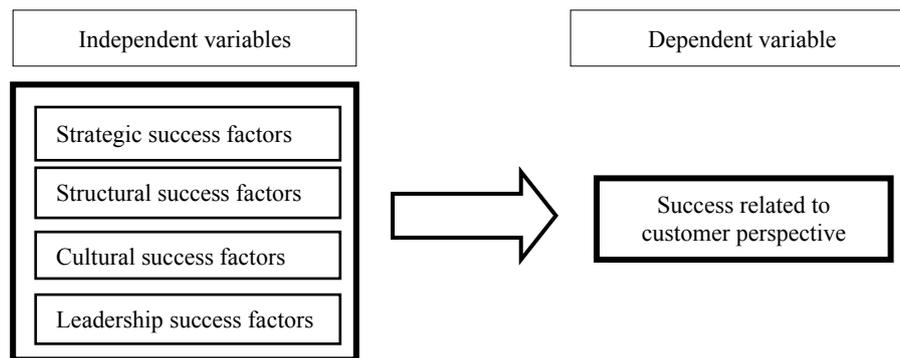
Summary: Competition among companies has gotten fiercer and much faster than earlier. Those wishing to achieve success primarily aim at satisfying customers' needs to the highest extent. This is what brings revenue; financial indicators of organisations can improve this way, which is a fundamental expectation of shareholders. Currently the system has become rather unsteady due to what has been happening in the economy in the past years. Therefore different things have become key factors than previously. Hence it is essential to identify which tools help company leaders at present to achieve their target objectives. The study brings into focus a part of company success research, which is related to the customer perspective. The aim of this section is to work out a model showing, which success factors have an impact on performance related to the customer perspective and in what ways, as well as to find out how a company can become successful from a customer's point of view. The research focuses on companies operating in the processing industry in Hungary. The analysis of the effects of success factors has been carried out via path analysis and logistic regression. Knowing the results it may be stated that strategic factors have the highest impact on success both in a direct and in an indirect way. This means that those organisations, which fine-tune their strategy and time pace their activities, achieve better results from the customer perspective. Customers will become more satisfied, there will be fewer complaints, the number of customers will increase and these will generate better financial results.

Keywords: balanced scorecard, customer satisfaction, leadership, strategy

1. Research Assumptions

The research analyses companies operating in the processing industry, having more than 50 employees. The reasons for that are that these organisations set the pace for the market, they are the largest employers, thus the scanning of these companies may offer useful results for the largest number of people. Success factors will be the independent variables of the research, whereas the success of customer perspective will be the dependent variable. The model will be built up this way (Figure 1). The results of research projects on success concluded in the past years will formulate the basis for identifying success factor variables, whereas in case of success the starting point will be the sustainability balanced scorecard. Based on the research on literature specialised on the subject the key issue is what kind of correlations can be revealed between particular success factors and the performance related to customer perspective. The answer will be put into shape stemming from the hypothesis that strategic success factors have the highest impact, because with companies it is primarily the assessment of customers' needs and actions plans aiming at satisfying these, which serve as the basis for the creation and development of strategy.

Figure 1: The Model of the Research



Source: by author

2. Methodology of Research

Collection of data necessary for the analysis has been conducted via a query of questionnaires. After the tests have been concluded leaders of companies set in the focus of research filled in the final questionnaire. Following the returns a sample of 200 pieces satisfying the minimum requirements was disposable for statistical analyses.

Success factors have been recorded based on earlier research projects on success. Only those identified tools remained in the research, which were measurable and scannable. The identification and grouping of remaining tools was carried out by factor analysis resulting in five factors. The factor of external strategic success factors, which brings external changes, fine-tuning and time pacing into focus. The factor of internal strategic success factors, which means long-term plans and raising the awareness for them. The factor of structural success factors, which includes the organisational structural solutions of facilitating service and continuous improvement. The factor of cultural success factors meaning organisational standards and values, based on which work itself and the organisation of work is carried out. These are teamwork, intuitive work organisation and the training of multi-skill labour force. And the factor of leadership success factors, which concentrates on the ways leaders develop their co-workers and subdivide tasks. Following that impacts on performance have been defined via path analysis and logistic regression. The instrument for measuring performance was the sustainability balanced scorecard, where this research put customer perspective in the centre. The scanning of customer perspective was conducted via several indicators. What was the percentage of customer satisfaction, how many prizes, official appraisals were given to the company, with how many per cents did its number of clients increase, what was the percentage of complaints related to the overall performance and what was the rate related to the fulfilment of its obligations in a timely manner in the past few years?

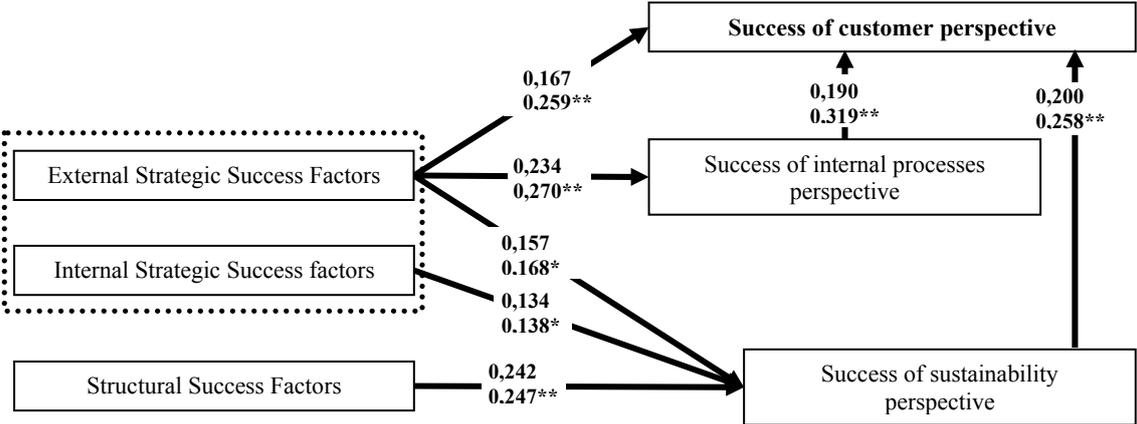
3. Results of Research

3.1 Path Analysis

The analysis of impacts related to customer perspective was conducted first via path analysis. Linear regression analysis could not be used, because the determination of dependent variables was done with the help of the balanced scorecard. Perspectives are in constant connection with each other and they are not independent (Kaplan and Norton, 2000; Kaplan and Norton, 2002). According to the significance test related to the validity of regression models each model is significant. The examination of conditions concerning variables and error terms has been conducted and it showed conformity in each and every case. The

heteroskedasticity of error terms was tested with the White-test. The inspection of the effects of success factors on success criteria was conducted by path analysis due to the relationships between dependant variables set by the balanced scorecard. First relationships have been determined based on the correlations among factors, with the help of which linear regression models used for the path analysis could be outlined, thus defining the internal effects. With the results identified paths having an impact on success related to customer perspective can be laid down (Figure 2).

Figure 2: Path Model Evolved via the Analysis



Source: by author

The numbers in the higher position on the arrows in the figure show the β value indicating the slope of the regression line, whereas the numbers below them are the values of the Pearson product-moment correlation coefficient related to the strength of correlation. In case of correlation the double asterisk following the numbers indicates 1 per cent significance level, while single asterisk denotes 5 per cent significance level.

External strategic success factors have both a direct and an indirect effect on customer satisfaction in a positive way, the indirect way being the fact that they improve the internal processes perspective. Accordingly the fine-tuning and pre-planned time pacing of strategy envisages a higher customer satisfaction. Internal strategic and structural success factors have less effect in an indirect and positive way. These factors make an impact via the sustainability success factor. Hence long-term plans and their clear communication to everyone involved, as well as organisational solutions facilitating service and ideas of improvement, increase sustainability performance and thus they have a positive impact on the customer perspective too (Table 1).

Table 1: The Effect of Success Factors on the Customer Perspectives

Independent variables	Success of customer perspective		
	Direct	Indirect	Total
<i>External strategic success factors</i>	0,167	0,076	0,243
<i>Internal strategic success factors</i>	-	0,027	0,027
<i>Structural success factors</i>	-	0,048	0,048
<i>Cultural success factors</i>	-	-	-
<i>Leadership success factors</i>	-	-	-

Source: by author

3.2 Logistic regression

The examination of the impact of success factors on success from the point of view of customer perspective was carried out via logistic regression too. The research analysed, whether the success of a company related to the customer perspective depends on the identified success factors. It revealed which tools improve it with which probability. The study inspects the improvement of value ratios generated by success factors earlier identified via factor analysis. Afterwards it analyses the partial effects of factors, i.e. how many times the influence increases the chances that the performance of a company related to the customer perspective goes above average, that it becomes outstanding. In order to do that it is necessary to decide what kind of result may be called successful or outstanding. So as to make this decision data related to companies operating in the processing industry provided a benchmark. The analysis and the assessment of results concerning companies included in the research determined that in case of success of customer perspective a company may be called successful if its performance related to customer perspective as an aspect of success exceeds the average results of companies present on the market concerning the same aspect by 10 per cent. Consultations with members of top management have confirmed this statement and the resulting categorisation as well. Accordingly two groups have been defined based on the standardised success indicators related to the principal components of indicators describing performance concerning customer perspective. These two groups are: companies with outstanding performance and those with average or poor performance. When analysing the individual impacts of factors, the Wald statistics shows significance (Table 2). It can also be pointed out that the impact of internal strategic, external strategic, structural and cultural success factors is significant in this case (Table 3).

Table 2: Variables in the Equation

	B	S.E.	Wald	df	Sig.	Exp(B)
Step 0 Constant	-0.648	0.139	21.767	1	0.000	0.523

Source: by author

Table 3: Variables in the Equation

Step 0	Score	df	Sig.
External Strategic Success Factors	6.021	1	0.014
Internal Strategic Success Factors	4.140	1	0.042
Structural Success Factors	4.638	1	0.031
Cultural Success Factors	4.853	1	0.028
Leadership Success Factors	1.014	1	0.314
Constant	18.760	5	0.002

Source: by author

It can be stated in the first phase that if we know nothing about the sample, it can be determined randomly with a 65.7 per cent certainty, whether a company is successful concerning customer perspective or not. The second phase, however, reveals that when knowing the variables included in the research, this certainty increases to 69.1 per cent. In this phase already partial effects emerge. Hence the created model this way is significant (Table 4). The value of the Nagelkerke R Square shows that the combination of the five independent variables explains 11.3 per cent of the variance of the dependent variable (Table 5). The 3.4 per cent increase of probability shows that success factors earlier identified have an effect on success related to customer perspective and if deliberately used, the chances of achieving success grow by 3.4 per cent (Table 6). Since the real business environment is complex and

success is thereby the resultant of many internal and external impacts, this change is remarkable. This may be stated also, because the analysed success factors are related to subtle details and the objective real life situation can be completely covered with these as well.

Table 4: Omnibus Tests of Model Coefficients

	Chi-square	df	Sig.
<i>Step</i>	19.636	5	0.001
<i>Block</i>	19.636	5	0.001
<i>Model</i>	19.636	5	0.001

Source: by author

Table 5: Model Summary

Model Summary	-2 Log likelihood	Cox and Snell R Square	Nagelkerke R Square
<i>Step 1</i>	276.289	0.082	0.113

Source: by author

Table 6: Classification Table Difference

Overall Percentage Correct		
Block 0: Beginning Block	Block 1: Method = Enter	Difference
65.7%	69.1%	3.4%

Source: by author

The second phase reveals exactly which success factors influence success and what provides a 3.4 per cent increase. They are the external strategic and structural success factors, whose impacts are significant in case of partial analysis too. The odds ratios (Exp (B)) denote what the chances of success are, if the effect of the other variables is kept under control. Results provided that way (Table 7) prove that companies included in the research, which fine-tune their strategy due to changes in social trends, time pace their activity and move with the market will belong to successful organisations from the point of view of customer perspective by a 46.5 per cent larger chance than those not dealing with these actions. A customer-oriented organisational structure encouraging proposals for improvement increases this chance by 37.9 per cent. However those companies, which disregard individuality, put only teamwork into focus, are not willing to employ experts and lay an emphasis only on enabling co-workers to carry out more tasks on a mediocre level as well as do not encourage a more systematic work organisation belong to successful companies from the aspect of customer perspective with a 29.9 per cent less chance.

Table 7: Variables in the Equation

Step 1	B	S.E.	Wald	df	Sig.	Exp (B)
<i>External Strategic Success Factors</i>	0.382	0.167	5.202	1	0.023	1.465
<i>Internal Strategic Success Factors</i>	0.306	0.169	3.290	1	0.070	1.358
<i>Structural Success Factors</i>	0.321	0.159	4.074	1	0.044	1.379
<i>Cultural Success Factors</i>	-0.355	0.169	4.394	1	0.036	0.701
<i>Leadership Success Factors</i>	0.118	0.172	0.470	1	0.493	1.125
<i>Constant</i>	-0.712	0.148	23.186	1	0.000	0.490

Source: by author

4. Discussion and Conclusion

Knowing the results the significant effect of external strategy initiates concordance with the Evergreen Research Project, which identifies fine-tuning as a success factor (Joyce, Nohria and Robertson, 2003). It also supports the results of the research of Eisenhart and Brown, who denote time pacing as a determinative tool (Eisenhardt and Brown, 1999) and declare that companies must pay a close attention to changes. What is done is very important and when it is done, otherwise a good idea may not bring such an advantageous market position it could have induced.

When summarising the results of path analysis and logistic regression, the following may be stated: If a company continuously follows new social trends, makes slight modifications in its strategy in accordance with them, has ready-made scenarios for transitions, makes its plans for a longer term and clearly communicates the strategy making that happen to all involved, it will achieve better performance related to the customer perspective and its chances of becoming successful will significantly increase. Logistic regression analysis complements that with the fact that besides experts focusing on a single field, systematic work organisation and teamwork, the use of individual work will also foster success in the analysed aspect. However, this impact is not as strong as that of strategic and structural factors.

References

1. Joyce W., Nohria N., Robertson, B. (2003): *What Really Works: The 4+2 Formula for Sustained Business Success*. New York: HarperBusiness.
2. Eisenhardt K.M., Brown, S.L. (1998): Time Pacing: Competing in Markets that Won't Stand Still. *Harvard Business Review*, 76(2), 59-69.
3. Kaplan R.S., Norton D.P. (2000): *Balanced Scorecard (Eszköz, ami mozgásba hozza a stratégiát – BSC – Kiegyensúlyozott stratégiai mutatószám-rendszer)*. Budapest: KJK-KERSZÖV.
4. Kaplan R.S., Norton, D.P. (2002): *A Stratégiaközpontú szervezet: Hogyan lesznek sikeresek a Balanced Scorecard vállalatok az új üzleti környezetben?*. Budapest: Panem Kiadó-IFUA Horváth & Partner.

COMPETITIVE STRATEGIES OF FITNESS GYMS IN INTERNATIONAL BUSINESS ENVIRONMENT. EMPIRICAL FINDINGS THROUGH OBSERVATION

Dan-Cristian DABIJA, Ioana-Nicoleta ABRUDAN, Cătălin POSTELNICU

Babeş-Bolyai University, Cluj-Napoca, Romania

E-mail: ioana.abrudan@econ.ubbcluj.ro

Summary: Contemporary society faces various challenges arising from the refocus and redefinition of consumer mentality. Currently, an important goal for consumers is to lead a healthy and natural life. However, no matter how “healthy” the diet, a healthy lifestyle is not possible without regularly practicing team or individual sports.

Attentive to changes and current developments in the lifestyle, attitudes and preferences of consumers, small entrepreneurs in the sports industry are trying to benefit from this wave of amplified demand for sports activities. In Romania, this trend is apparent not only in the increased number of sports fields, but also in the growing number of fitness gyms.

This exploratory research aims to highlight the specific marketing strategies that gyms employ to gain market share. The secondary objective of the research, carried out through observation, is to determine the degree of differentiation among fitness gyms and their positioning strategies. In total, over 50 observation sheets have been collected, corresponding to the most important gyms in Transylvania.

Regardless of being part of a national or international chain, or independent, all businesses try, through specific means, to attract and retain their clientele. This approach highlights a number of practical and theoretical implications, emphasizing, among others, differences between the strategies used by leader, challenger or follower fitness gyms.

Keywords: competitiveness, competitive strategies, positioning, differentiation, fitness gyms

1. Introduction

Nowadays, private health clubs and fitness gyms are a huge global business, and fitness has become a folk movement (Andreasson & Johansson 2014: 91). In Romania, sports practice still records a low rate, with only 40% of Romanian practicing sports at least occasionally (ihrsa.org). This percentage is much differentiated between urban and rural areas. Orientation towards sport is growing in urban areas, 31% of people practicing more sport in 2014 compared to 2013 and the growth takes place in all age groups (20-65 years). The segment between 25 and 34 years old includes the largest number of sports practitioners. It remains, however, a fairly significant segment (37.9%) who do not practice any sport (Țone 2015).

Attentive to changes and current developments in the lifestyle, attitudes and preferences of consumers, small entrepreneurs in the sports industry are trying to benefit from this wave of amplified demand for sports activities. In Romania, this trend is apparent not only in the increased number of sports fields, but also in the growing number of fitness gyms. The total value of the private sport market is still unknown due to fragmentation among sports centres, facilities, clubs, fitness gyms or specialized sports halls (Mirea 2015).

2. Marketing strategies of fitness gyms

The strategies available to fitness gyms can be divided, according to the spectrum of the resources they refer to, into: generic (overall) and specific for marketing mix elements. The

first category includes the strategies differentiated according to the competitive position (relative market share) – for the leader, challenger, follower and specialist. Another approach belongs to Porter (1980; 1990) and refers to the strategies of cost leadership, differentiation or focus. Often encountered is Ansoff's (1965) product-market matrix with its four strategies. In what follows are presented the overall strategies used by the four categories of competitors, because there may be noticed differences in gyms' approaches to market according to their market position and the specific strategies.

Market leaders dominate the other actors and have the initiative to change prices, to innovate services and products, distribution, communication, promotion (Kotler & Kettler 2012, p.321) physical evidence, personnel or processes. However, they must remain alert at all times to competitors' actions that could threaten their market position (Dunning 2008, p. 72), especially in a business environment subject to the trend of internationalization of investors. They can resort to the expansion of the total market by attracting new customers who do not practice sports for various reasons, such as high prices, inadequate location or hours of operation, or to attract non-practitioners. They can increase the frequency of use through existing or new services and facilities. They may also try to protect the current market share through good defensive and offensive actions or to increase their market share - by introducing new services, facilities or locations and innovative ways of distribution, price adjustments etc. Among the strategies *challengers* can use are the attacks on the leader, on the similar size companies that have financial problems or of other kind (prices too high, obsolete facilities, amenities or services), or on smaller firms. *Follower's* strategy is to imitate the leader. The obvious advantage of this strategy is that it minimizes the costs with innovation and familiarization of buyers and the associated risks. *Specialists'* strategies refer to adequate management of the narrow market segments they approach. Thus, their tasks refer to the creation, expansion or protection of niches, taking advantage of the good knowledge of their consumers. Whatever position held, differentiation from competitors through any element of the marketing mix remains a key strategy for long-term success of any fitness gym.

Specific strategies account for the elements of the marketing mix or for a combination of them. Regarding basic and complementary services, fitness gyms can count on the introduction of new products and services or on the imitation of the strongest competitors. No matter what, it is advisable to try to differentiate themselves from competitors. Customization and adaptation of services, quality or assortment are measures commonly used by market leaders. The price levels of subscriptions to gyms tend to be correlated with the quality of physical evidence (machines, equipment, interior design, staff training), but also with the image they want to convey to the outside (Cheben 2006). Finding the best price - offer ratio and its right level is not easy, and often the price has to be established especially against the competition. Fitness gyms, depending on their overall strategy, their costs, the profit target, the market context, may fix the price at the same level, above or below the competition. If large halls, those that are part of a national or international chain can afford to set prices at a higher level, the local and smaller ones are forced to rely on price and location to attract customers. Thus, they can try to offer the best price-service ratio or the lowest price on the market. Distribution strategies refer to facilitating the sale of subscriptions to the gym, the booking or cancellation of a place in training sessions, the visualization of occupancy in sports programs etc. For this purpose, during recent years, gyms have started using computerized reservation systems, in addition to the existing staff. The promotion budget of fitness gyms is linked to their size. The small, local sports gyms must rely on word of mouth promotion and other guerrilla promotion activities (flyers, social networks pages, visibility brought by a good commercial venue, own webpages, sports TV shows), point of sale advertising, promotions. Sports gyms are trying to acquire professional equipment, to design a pleasant and functional space, to provide proper ambient conditions (temperature, lighting,

humidity, smell, sound), to properly signal internal and external spaces. The “servicescape” is decisive in defining quality (Nickson et al 2002, p. 17) of a fitness facility. In the area of personnel, gyms must first recruit qualified personnel or provide it with the necessary training. Young, energetic people are preferred, even at the risk of a high fluctuation of employees. Training should also refer to customer relations and orientation towards teamwork, to active involvement in formulation and implementation of quality policy (Sharma & Karub 2014), to transmitting company's expectations for employees. However, studies in the field (Fawcett, Rhoads, Burnah 2004; Lloyd 2005) did not find a correlation between personnel's skills and positioning as a high-quality gym, ambience and amenities being considered most important. Rubio & Aragon (2009) conclude that SMEs managers must focus on personnel management and technology, innovation and quality to get the estimated results.

Strategy decisively influences the performance of small and medium enterprises (Payne, Kennedy, Davis 2009). Whatever the strategy chosen, or whether it is independent or a combination, gyms must constantly monitor the market situation and adjust, if necessary, their strategy. The chosen strategy must be supported by the available resources. According to Leitner and Guldenberg (2010), combined strategies are a better alternative for SMEs, and the alteration of the generic strategy can lead to results as good as those when strategy is not changed.

3. Methodology

The research was carried out between November 2013 and May 2014. It was based on the completion of an observation form regarding fitness gyms. The main objective was to highlight the best training offer, taking into account both the technical equipment and the experience and qualification of the personnel, and the accessibility of price respectively. A secondary objective of the observation was to determine the degree of differentiation among the fitness gyms and their positioning methods on the target market.

Fifty observation sheets were collected in total, from gyms in various cities of Transylvania. In order to ensure a better representation of the research, the gyms included in the sample belong both to national or regional chains (World Class, Gimmy, Fit Life), and some are independent (U - Bodybuilding Fitness, Power Point Gym); some of them are large, with a large number of customers, while others are small. The observation sheet was structured into eight distinct chapters, namely: general data on the fitness gym; services (base, complementary, ancillary); price; distribution (tickets/ subscriptions); communication; personnel; physical evidence (specific equipment in the fitness room, free weights, dumbbells, cardio equipment - treadmills, bikes, number of changing rooms, showers, toilets).

4. Data analysis

An important factor taken into account when carrying out the research referred to the services offered by the fitness gyms. According to literature (Vorzsak 2006), three categories of services can be distinguished: basic, complementary and supplementary. For all gyms, the basic service provided is the actual fitness room, equipped with various devices for performing bodybuilding workouts and exercises. To attract customers and achieve a better differentiation, some gyms provide recreational fitness facilities as well (tae bo, aerobics, zumba, pilates, fitball, rebound, body combat, combat) or swimming pools. The surface of the fitness gyms varies between 200 and 700 m², with a modal value of 250 m². As it may be noted, larger sports gyms (eg. WorldClass, Gimmy, Big Fitness) tend to organize other types of activities as well, such as dance, martial arts, individual sessions with a personal trainer,

nutritional advice. In most of the sports halls, the additional services consist of solariums, saunas and massage rooms.

Observation revealed, regarding the price policy practiced by gyms, a large variety of subscriptions and tickets offered. Thus, it must be mentioned that payment of individual sessions and monthly subscriptions can be made both in cash and with card. All the gyms studied discriminate price based on labour market status (employed or not), with students discounts between 10% and 25%. Certain sport halls (e.g. Fit for Life) practice the same level of prices for both bodybuilding training and leisure one, while others (Big Fitness) discriminate among them. Most fitness gyms address exclusively individual consumers, express their prices in lei, while others - the market leader in terms of sales value, World Class, aim at companies as their favourite target segment, and express prices in euros. Some gyms resort to granting bonuses to larger groups of people joining together (friends, family, colleagues, etc.), while others do not.

In terms of distribution policy, it is found that subscriptions, individual or multiple tickets can be obtained directly by paying cash or with the credit card inside the fitness room. Exceptionally, some gyms provide online offers from time to time, which allow them to obtain discounts or the ability to purchase subscriptions from a particular partner shop.

Promoting fitness gyms is carried out both through traditional advertising: brochures, newspapers (7seri, Zile și Nopti, 24FUN, Men's Health, Diva), own magazines (B-fresh for World Class Romania), radio (Radio Zu, Impuls) or even in some TV shows (e.g. TVR Cluj, Transylvania Live, Alfa TV, TVR 1, Prima TV for Big Fitness; Digi, Realitatea TV, Transylvania TV for Gimmy etc.), or through online advertising: own web pages or social networks (Facebook, LinkedIn, Twitter etc.). Of course, fitness gyms promotion uses street billboards around the area where it is located or in the means of public transportation (buses, taxis, etc.). In some cases there can be noticed an increased interest of the management of fitness gyms to participate in specialized fairs (International Fitness Convention Bucharest, Rimini Wellness Convention, etc.) and in national competitions with their own athletes (Fit For Life). Additionally, gyms resort to sales promotion measures, providing family packages, discounts for subscriptions on a longer period of time, price discounts or bonuses on customers' birthdays, on certain holidays, during low season, etc. Among the implemented promotion measures is the use of opinion leaders (Jojo (actress), Andreea Răducan (gymnast) for World Class Romania, TV presenter Carmen Brumă for Gimmy).

Regarding personnel policy, it appears that gyms usually appeal to instructors specialized in fitness, aerobic, martial arts, dancing etc. The instructors engage in customers' exercises, advising and carefully watching them. The experience of instructors varies by gym and from person to person. Those with at least six months of work experience, certified and/ or specialized in the field are usually preferred. In addition to instructors, fitness centres employ administrative and technical staff, represented by managers, team leaders, cleaning and maintenance staff.

Fitness rooms are quite well equipped with various facilities and training gear for various muscle groups. Thus, they hold, depending on size, between 1 and 11 apparatus for legs, back, chest, shoulders, arms, abdomen or lower back, and equipment that allow joint exercises. Meanwhile, gyms have chest benches, free weights, disks, dumbbells, etc. and a complete range of cardio equipment, such as ergonomic and elliptical bikes, treadmills, steppers or rowing simulators (for larger rooms).

5. Conclusions

To ensure profitability, all businesses need to adapt and respond to the dynamics and competitiveness of their market. This is especially challenging for SMEs, and the majority of

fitness gyms belong to this category, due to the scarcity of financial and time resources (Jones 2007). For this reason, managers or owners must be creative in adapting traditional marketing theory to market and their companies' realities (Gilmore 2011, p. 139). Literature evaluates that one of the most valuable resources of SMEs is innovation (O'Dwyer, Gilmore, Carson 2009; Luo & Chang 2011). The observation made lead to the same conclusion, since the equipment in gyms are new and extremely well maintained.

The research shows that gyms follow a complex strategy that focuses on the synergy between a carefully weighed service policies, friendly and caring personnel, attractive prices accompanied by special offers for different target customer segments, sustained communication, and the participation in various events, contests and/ or fairs. Providing customized training tips, combined with a balanced nutrition are relevant elements that gyms use to enhance their image, to attract customers and to keep them loyal.

References

1. Andreasson, J., Johansson, T. (2014): The Fitness Revolution. Historical Transformations in the Global Gym and Fitness Culture, „*Sport Science Review*”, 23 (3-4), p. 91 - 112
2. Ansoff, H. I. (1965): Corporate strategy, New York, McGrawHill
3. Cheben, J. (2006): Customer as a key factor in marketing of sport and related domains. in *Fascicula educație fizică și sport*, Analele Universității din Oradea, p.126-131
4. Dunning, J.H., Lundan, S.M. (2008): Multinational Enterprises and the Global Economy, 2nd Ed., Massachusetts, USA, Edward Elgar Publishing Ltd.
5. Fawcett, S.E., Rhoads, G.K., Burnah, P. (2004): People as the bridge to competitiveness. Benchmarking the “ABCs” of an empowered workforce, „*Benchmarking: An International Journal*”, 11(4) p. 346 - 360
6. Gilmore, A. (2011): Entrepreneurial and SME marketing, „*Journal of Research in Marketing and Entrepreneurship*”, 13 (2), p. 137-145
7. IHRSA (2014): High levels of inactivity in the European Union, available online at: <http://www.ihrsa.org/blog/2014/4/4/high-levels-of-inactivity-in-the-european-union.html>, accessed at 28/04.2015
8. Jones, O. (2007): Managing SMEs, „*International Journal of Entrepreneurial Behavior & Research*”, 13 (2), p.
9. Kotler, P., Berger, R., Bickhoff, N. (2010): The Quintessence of Strategic Management. What You Really Need to Know to Survive in Business, Heidelberg, Springer-Verlag Berlin
10. Kotler, Ph. & Keller, K.L. (2012): Marketing Management,
11. Leitner, K.H., Guldenberg, S. (2010): Generic strategies and firm performance in SMEs: a longitudinal study of Austrian SMEs, „*Small Business Economics*”, 35, p. 169–189
12. Lloyd, C. (2005): Competitive strategy and skills: working out the fit in the fitness industry, „*Human Resource Management Journal*”, 15(2), p. 15-34
13. Luo, C.M., Chang, H.F. (2011): SME competitive strategy: learning from Taiwan's ODM industry, „*Business Strategy Series*”, 12(3), p. 107-114
14. Mirea, C. (2015): Care sunt cele mai mari sali de fitness din romania si ce afaceri au, Ziarul Financiar (online), available online at: <http://www.zf.ro/companii/care-sunt-cele-mai-mari-sali-de-fitness-din-romania-si-ce-afaceri-au-13840443>, accessed at 28.02.2015

15. Nickson, D., Baum, T., Losekoot, E. and Morrison, A. (2002): Skills Organizational Performance and Economic Activity in the Hospitality Industry: a Literature Review, SKOPE Monograph, Coventry: SKOPE, University of Warwick
16. O'Dwyer, M., Gilmore, A., Carson, D. (2009): Innovative marketing in SMEs, „*European Journal of Marketing*”, 43(1/2), p. 46-61
17. Payne, G. T., Kennedy, K.H., Davis, J.L. (2009): Competitive Dynamics among Service SMEs, „*Journal of Small Business Management*”, 47(4), p. 421-442
18. Porter, M. E. (1980): Competitive strategy: Techniques for analyzing industries and competitors, New York, Free Press
19. Porter, M.E. (1990): The Competitive Advantage of Nations, New York, The Free Press, A Division of Macmillan, Inc.
20. Rubio, A., Aragón, A. (2009): Smes Competitive Behavior. Strategic Resources and Strategies, „*Management Research*”, 7(3), p. 171–190
21. Sharma, R., Kharub, M. (2014): Attaining competitive positioning through SPC – an experimental investigation from SME, „*Measuring Business Excellence*”, 18(4), p. 86-103
22. Țone, A. (2015): Alergarea, cel mai practicat sport de către persoanele din mediul urban, <http://www.mediafax.ro/sport/studiu-alergarea-cel-mai-practicat-sport-de-catre-persoanele-din-mediul-urban-14114696>
23. Vorzsak, A., Pop, C.M. (2006): Marketingul serviciilor. Probleme de ansamblu ale terțiarului, Cluj-Napoca, Risoprint.

NATURE OF NONPROFIT ORGANIZATIONS' MANAGEMENT

Zoltán HORVÁTH

*Szent István University, Faculty of Economics and Social Sciences, Gödöllő, Hungary
E-mail: horvath.zoltan@gtk.szie.hu*

Summary: Since the early 1990s nonprofit organizations have emerged and have been growing in many sectors. As a result a variety of civil society has been formed. This process has continued ever since: nonprofit organizations are essential elements of current societies. These organizations are characterized by greater vulnerability to the prevailing environmental factors. More and more of these organizations use typical profit-oriented enterprise management methods to succeed. Based on accounting indexes and personal observations, this study shows the most important characteristics of these organizations' management, factoring the organizations by their forms. The survey includes information from the annual accounts of 100 foundations and 100 associations completed by in-depth interviews and the author's personal experiences.

Keywords: characteristics of organization's management, organization forms, non-profit organizations

1. Introduction

There are several areas in a society where formal, for-profit organizations are less effective reaching their objectives (e.g. sport, traditions, public safety, culture). In these cases, Non-Governmental Organizations (NGO) can be solutions. They perform tasks what for-profit companies do not assume, and often satisfy higher needs, which promotes the establishment and operation of these projects. Depending on the development and structure of a particular society, the local community's demands, opportunities and traditions, there are plenty of tasks, that are resolved by NGOs, since the state and local government agencies and economic actors do not want to, or are not able to perform them. Important role of the NGOs that they could be a sort of indicators by their flexibility and quick adaptation, indicating if something is not well regulated or conflict of interests take place. The financial management of nonprofit organizations exhibits many traits similar to those of for-profit companies, but at least this much different characteristics appear. The effectiveness of civil society organizations is largely determined by the market environment, they get their sources similar as businesses. They have resources of which effective utilization and development greatly affects the success of managing their basic tasks. Of course, the fundamental goal is not to maximize profit but to perform the tasks taken as perfectly as possible. To do so, they provide resources mainly not from selling their products and services, but in the form of aids and donations. Non-profit organization's identity, strategy, human factors, mode of operation and organizational management solutions are different. (Bullain, 1995)

Some non-governmental organizations do not have a written organizational frame, however plenty of formal organization have been established as yet. Due to the importance of the NGOs' large number, there is a growing demand for processing their management and organizational features, like it is with the economic organizations. As long as more people work on a given task, regardless of the organizational framework, almost self-evident that management issues raise. There are organizations which ignore these issues, nevertheless it definitely helps to achieve the goals, if the leaders possess management skills and use the

essentials of organizing, leadership, management, monitoring and planning. The majority of non-profit organizations evolve through self-organization, the organizational structure is informal, the powers and responsibilities are not exactly clarified, therefore the leading and monitoring is more difficult as well. Another problem is that the leaders and members do not work full time, and do not get salary, so their tasks may be carried out incidentally, even the function of the whole organization may be wavering. For certain times, NGOs can even suspend their activities. For non-profit organizations, using the management and organizational theories and processes in the same way as it was proven good at for-profit companies is not necessarily rewarding, but their knowledge and conscious adaptation is a must. For the registered organizations the legislation, the application, credit system also requires the use of management techniques.

The basic objective of the study is, to draw attention to the particularities of the NGO management, and to track down the conditions for the more effective operation. The NGO literature is very wide, but they are largely sociological aspects and do not examine the management area. (Farkas, 1994) The study included 200 NGOs, half of them operate as associations, the other half as foundation. Because of the large number of organizations, and to improve the comparability, I have introduced some restrictions. Only organizations were included in the sample, which had at least 2 million HUF income for two years (2012-2013), and perform duties related to education in whole or in part. Territorial restrictions are not applied. The annual reports are collected from the list of non-governmental organizations on the website birosag.hu, and based on this data, I've contacted 2-2 association and foundation leaders personally. All this is complemented by personal experience, as I am leading an association for 15 years, and I am a member of the Board of Trustees of two foundations. My basic aim is to form findings and conclusions, which can help the operation and management of the NGOs be more effective. The survey data is not necessarily characterize the whole sector, because the sample is not representative, however the size of the sample gives opportunity to make significant and real conclusions.

2. The role, importance and economic weight of non-profit organizations

After the regime change, the domestic society used the possibility of self-organization, and non-governmental organizations were set up widely and in large numbers. It also can be said, that based on the number of organizations, much more social activity could be assumed, despite the fact that many initiatives will only work informally. Many registered organizations show only minimal activity, revenues are minimal, their activities are periodical, and sometimes it may be suspended. All of this is related to the lack of resources, the eventualities of tasks and other activities of the leader. The formalization of the organizations is on low-level, applying management methods are incomplete. Their activities often bring conflicts if they are confronted with certain economic interests, or power status quo. Their role, however, is huge, as they carry out specific tasks and in addition characterize the state of society as a whole as well. Civil society organizations accurately indicate the existing trust, willingness to cooperate and activity of a given society, play an intermediary role between citizens and public authorities, market and government sector. (Putnam, 2000; Bíró, 2002) They take over welfare tasks from state and local government agencies in order to provide them more effectively. This trend is growing in Hungary. The condition of charitable status, is to pinpoint the welfare tasks that had been provided by the state. However, the government must continue taking part in financing these tasks.

Operation and management of civil society organizations largely determined by the new regulations came into effect from 2012 (CLXXV. Act 2011, CLXXXI. Act 2011, 350/2011. Government regulation). Among the regulations of the management, the most important ones

are that the annual budget should be prepared, the annual report must be deposited in the National Judicial Office, the public must be kept informed, the public benefit is being overridden, and the laws for-profit businesses termination also applies to NGOs.

According to the CSO in 2013, there were 64,542 registered non-profit organizations, however, the courts registered 20 thousand more, the Civil Information Portal currently has data of 118,462 organizations Thus, the CSO is not complete, but I use it because it provides sufficient information for the analysis.

In 2013 seven hundred less non-profit non-governmental organization were working in Hungary than in the previous year, 22.5 thousand in the form of foundation and 42 thousand as non-profit social organization.. 62% of the foundations are related to three areas of activity, education (32%), social services (16%) and culture (14%). In the corporate profit organizations, the proportion of the recreation (25%) sport clubs (16%) and cultural associations (13%) were the highest. Organizations with public beneficial status has the ratio of 55%. 91% of the organizations conducted a full cash flow in the given year, while 4% of the organizations did not engage any financial activities.

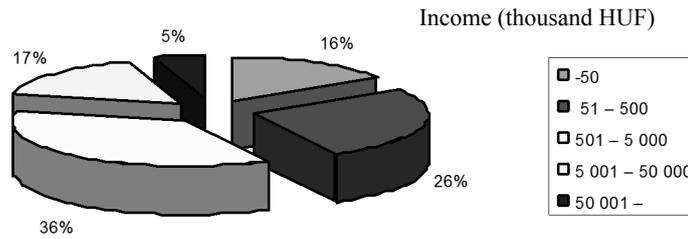
Table 1: The number of non-profit organizations, according to their operating characteristic (2013)

Organizational form	The number of non-profit organizations, according to their operating characteristic.					Total income for the non-profit sector		
	Have revenues, expenditures	No expenditures	Have only expenditures	Operating without money	Total	HUF million	Distribution, %	Revenue per organization, HUF thousand
Foundation	19 332	273	912	657	21 174	224 969,60	18,1	10 624
Public Foundation	1 253	13	47	13	1 326	27 409,70	2,2	20 670
Association	31 908	745	737	2 006	35 396	300 225,80	24,2	8 481
Public body	260	1	0	1	262	54 467,40	4,4	207 890
Union	854	17	5	46	922	11 996,00	1	13 010
Professional employer organization	2 151	32	63	136	2 382	63 438,70	5,1	26 632
Non-profit business association	2 787	3	144	69	3 003	554 086,50	44,6	184 510
Merger	69	0	4	4	77	5 001,30	0,4	64 952
Total	58614	1084	1912	2932	64542	1241595	100	19237

Source: CSO

In 2013 revenue amounted to HUF 1,241,595 million, 3% reduction in real terms compared to 2012. 35% of these revenues came from state and municipal budgets, which meant a 5 percent drop compared to the previous year. At the same time the proportion of the own revenues increased from 40% to 44%.

Figure 1. Ratio of non-profit organizations according to sales volume (2013)



Source: CSO

Between 2012 and 2013, the number of employees in the non-profit sector decreased by 10%, the total number in 2013 exceeded 130 thousand. This value made up more than 3% of the employments in the national economy. Within this, the number of full-time workers was 83.5 thousand, 46.9 thousand workers beside them worked in part-time. In 2013 the estimated number of volunteers in the sector was 490 thousand. They have passed 51 million working hours, which is more than the working hours of 24.5 thousand full-time employees. The estimated value of their work is HUF 55 billion. The average of the employment and the income can be considered as the weight of the sector in the national economy, which exceeded 4% between 2010 and 2012, but fell slightly in 2013.

3. Some features of the management of non-profit organizations

The average income of the investigated organizations was HUF 15929 thousand in 2013, which is almost a 12% decrease over the previous year. The average revenues of the foundations almost three times more than the associations' (HUF 21048 thousand – HUF 7311 thousand).

Table 2: The number of investigated organizations by size of income

Size of income <i>HUF</i>	Foundation <i>pcs</i>	Association <i>pcs</i>
2-4 million	38	51
4-8 million	14	29
8-12 million	15	17
12-20 million	24	2
20 million and more	9	1
Total	100	100

Source: own survey

Only two associations had income from Entrepreneurial activity, but the core business income is very lower than other revenues (support, membership fees, donations). 46% of the foundations gained revenues from core activities, its average values is HUF 3259 thousand, 39% of the associations had of such income with an average of HUF 3millions. Both for foundations and for associations the income from financial operations is negligible. 94% of the foundations had income from support, the average value of these is HUF 22567 thousand. Support from the central budget could be found at 62% of the foundations, average value HUF 27168 thousand, 51% of these organizations received local governmental funding with an average value of HUF 1410 thousand. The shortfall is quite serious in obtaining EU funds, since only 5% of the foundations had such an income with a total revenue of HUF 32 millions. Almost every foundation use the option of the 1% personal tax income offerings, since 96% percentage of them indicated such benefits, However, their average value is not so significant (HUF 191,000). 95% of the associations had revenue from grants with an average value HUF 4,076 thousand. 48 associations had an average income of HUF 4,850 thousand

from central budget, and 58 organizations received grants from local government with an average value of 3,478 thousand forints. Only 2 associations had EU support, while 86 organizations received 1% of the personal income tax offerings with an average value of HUF 183 thousand.

Table 3: Expenditures of the examined organizations

	Foundation		Association	
	Quantity (pcs)	Average value (thousand Ft)	Quantity (pcs)	Average value (thousand Ft)
Material Expenses	100	4629	100	3040
Personnel Expenses	66	4117	76	1904
Depreciation	59	1592	32	724
Other Expenses	72	24271	88	3158
Expenses of Financial Operation	14	198	4	22
Total Expenses	100	22717	100	7136

Source: own survey

As regards expenses, the largest amount accounted is among the other expenses, every organization had material expenses. Personnel expenses are accounted by 66% of foundations and 76% of associations with the value of almost 4 million and 2 million forints per organization. It suggests up-to 2 and 1 full-time employee, but in most cases there is absolutely no full-time employee. Personnel expenses made up of simplified employment and agency contracts. The role of volunteers is particularly important in this sector, so one of the most important tasks for management is activation of human resources.

More than half of the organizations had a negative result for the year. In this respect, the associations' situation was better, they had an average value of HUF 128 thousand, and 32% of organizations had negative results. For Foundations 48% had a negative result for the year, as a result of this, the average loss is greater than one and a half million forints. This is also dangerous, because the condition of charitable status is the positive result for the year. 46% of the foundations and 34% of the associations were public beneficial.

Table 4. Balance sheet data of the examined organizations

	Foundation		Association	
	Quantity (pcs)	Average value (thousand HUF)	Quantity (pcs)	Average value (thousand HUF)
Fixed Assets	78	32134	32	7 913
Intangible Assets	2	289	0	0
Tangible Assets	77	34984	32	7 913
Fixed Financial Assets	2	1530		0
Current Assets	100	5079	100	1 343
Stocks	9	979	4	323
Receivables	12	4357	0	0
Marketable Securities	3	4070	0	0
Cash	100	3641	100	1 343
Assets	100	26004	100	2 928
Equity	100	2564	100	893
Share Capital	96	256	18	15
Retained Earnings	98	3660	75	622
Long-term Liability	6	4425	0	0
Short-term Liability	65	3467	14	973
Liabilities	100	26004	100	2 928

Source: own survey

The examined organizations' key balance sheet data are shown in Table 4. Foundations have a much higher proportion of fixed assets, however it is almost exclusively tangible assets. The associations have much less assets, their tangible assets is less than a quarter of the foundations'. The organizations have almost no long-term obligation, they do not participate in lending.

4. Summary

Non-profit organizations are only able to perform effectively their self-imposed tasks taken over from the state, if they are successfully managed, which is also extorted by the legislation. This requires choosing the right organizational framework which will ultimately be determined by type and extent of the commitments taken. This will also define the time, energy and human resources available for each task. In general, one can identify obtaining the required funds as one of the most important tasks of the leader. In addition they need to organize everyday activities and to meet state regulations and especially important their continuous social networking. The importance of social networking is further increased by the available company tax-based subsidy for the sport and cultural organizations. Economic indicators also confirm that these organizations exist under difficult financial circumstances, depending mostly on subsidies, which means great risks and exposure. In Europe the significance of the non-governmental organizations has been recognized, making resources available for them, but Hungarian NGOs do not use these sources. This can mostly be explained by the lack of knowledge and experience. Typically the public benefit organizations' incomes are higher because numerous tenders can only be submitted by them. Another relevant experience is that executive officers do not pay enough attention to the paper-work of the management, resulting insufficient obligatory records and data.

References

1. Bíró, E (2002): *Nonprofit Szektor Analízis*. Civil szervezetek jogi környezete Magyarországon. Emla Egyesület, Budapest
2. Bullain, N. (2005): *A nonprofit szervezet, mint működő intézmény*. Alapfokú kézikönyv civil szervezetek részére. NIOK-Soros, Budapest.
3. Farkas (1994): *A nonprofit szervezetek menedzsmentjéről*. Vezetéstudomány. 5. 5-12.pp
4. Putnam, R.D. (2000): *Bowling Alone*. The Collapse and Revival of American Community. Simon and Schuster, New York
5. A nonprofit szektor legfontosabb jellemzői (2013), Statisztikai tükör, 2014/142

COMMODITY-PRICE VOLATILITY AND EXTERNAL RISK: IMPLICATIONS FOR THE MACROECONOMIES OF CENTRAL AND EASTERN EUROPE

Scott William HEGERTY

Northeastern Illinois University, Chicago, USA

E-mail: S-Hegerty@neiu.edu

Summary: In an era of increased global risk and the possibility of international “contagion,” managers worldwide must be cognizant of the role that various types of volatility might have on their countries and regions. In particular, statistical analysis can provide estimates of the macroeconomic implications of shocks to foreign asset and commodity prices. This study performs such an analysis, applying time-series econometric modelling to analysis of four Central European countries (Bulgaria, Croatia, Hungary, and Poland), as well as Russia and Ukraine.

Using monthly data and applying Vector Autoregressive (VAR) time-series methods, this study first models oil-price volatility and real effective exchange-rate volatility. We then study the effects of these volatility terms and of changes in U.S. stock prices on credit growth, output growth, and the currency markets of our set of European countries. Overall, Granger Causality tests show that risk does have a strong impact on the region’s economies, but that the effects differ from country to country. For example, U.S. stock-price declines uniformly put pressure on the region’s currencies. At the national level, oil-price volatility puts pressure on the zloty and also contributes to Polish growth, and also hurts Russian growth. Our findings therefore offer the region’s industries insights into their exposure to global risk and the global macroeconomy.

Keywords: Commodity Prices; Volatility; Central Europe; Time Series

1. Introduction

Following a decade of large increases and decreases on global markets, commodity prices began to drop significantly in 2014. While the resulting revenue losses can hurt emerging-market commodity exporters, oil-price declines may help lower costs and boost profits for manufacturers, particularly in Central and Eastern European (CEE) nations. At the same time, however, large swings in commodity prices create volatility that might be detrimental; increased risk hurts individual businesses and the overall macroeconomy. This paper investigates the impact of oil-price volatility on the exchange markets of six CEE nations, as well as interactions with macroeconomic variables. Using time-series methods, we find important effects that differ from country to country.

This study focuses on a measure of Exchange-Market Pressure (EMP), which captures exchange-rate depreciations as well as central-bank measures to combat these depreciations. This monthly measure is then modelled as a function of U.S. stock prices and key macroeconomic variables. These include domestic credit growth, the growth rate of government borrowing, GDP growth, and inflation. Previous research, by Phylaktis and Ravazzolo (2005), Van Poeck et al. (2006), Stavarek (2011), Koseoglu and Cevik (2013) and others shows these variables to be significant determinates of EMP and currency crises in the CEE region. And while Hegerty (2012, 2014, 2014b) examines the link between commodity price *changes* and EMP in Latin America, Russia, and the Baltics, he does not include price *variability* in any specification. This study, therefore provides a key addition to this important

branch of the literature, providing business leaders with increased ability to understand and mitigate this risk.

2. Methodology

In this study, monthly data for all variables are taken from the International Financial Statistics of the International Monetary Fund. The timespan differs from country to country, but generally begins in the mid-1990s and ends in late 2014. First, we calculate EMP as a function of exchange-rate depreciations (an increase in the number of units per U.S. dollar), reserve losses (as a percentage of the lagged monetary base), and the change in the interest-rate differential (money-market rate) vis-à-vis the United States:

$$EMP_t = \frac{1}{\sigma_{\Delta e}} (\ln E_t - \ln E_{t-1}) - \frac{1}{\sigma_{\Delta RES}} \frac{\Delta RES_t}{MB_{t-1}} + \frac{1}{\sigma_{\Delta r}} \Delta(r_t - r_t^{US}) \quad (1).$$

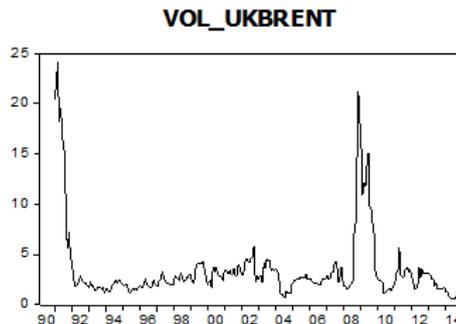
Next, oil-price volatility is calculated as the standard error of a rolling AR(1) regression (of the price on its lagged value), with 12-month windows. A similar calculation is carried out with the real effective exchange rate (REER), which represents a country's level of competitiveness against a broad range of trade partners. This volatility, therefore, represents another type of external risk.

After plotting these time series, we then conduct Vector Autoregressive (VAR) analysis to assess for spillovers among variables. These allow for any variable in the specification to have an impact on any other; for example, EMP and growth might have effects on each other. We first perform a bivariate Granger Causality test between oil-price and REER volatility to see whether the addition of one variable to a regression of the other on its own lagged values increases the regression's explanatory power. Our main test, however, is this test's multivariate version, applied to the following vector:

$$[EMP_t, CRG_t, GOVG_t, GROWTH_t, INF_t, d\ln US\$, POILVOL_t] \quad (2).$$

The lag length of each VAR is chosen by minimizing the Schwarz goodness-of-fit-criterion. Significant Granger Causality/Block exogeneity statistics suggest that one variable has an effect on the variable of interest. In an additional analysis (results available upon request), we also generate a number of Impulse-Response Functions (IRFs) following the Generalized VAR methodology of Pesaran and Shin (1998). These functions plot the time path of one variable after a shock to another, as well as significance bands to show whether these responses differ from zero. Our Granger Causality results are shown below.

Figure 1: Oil-Price Volatility (U.K. Brent)

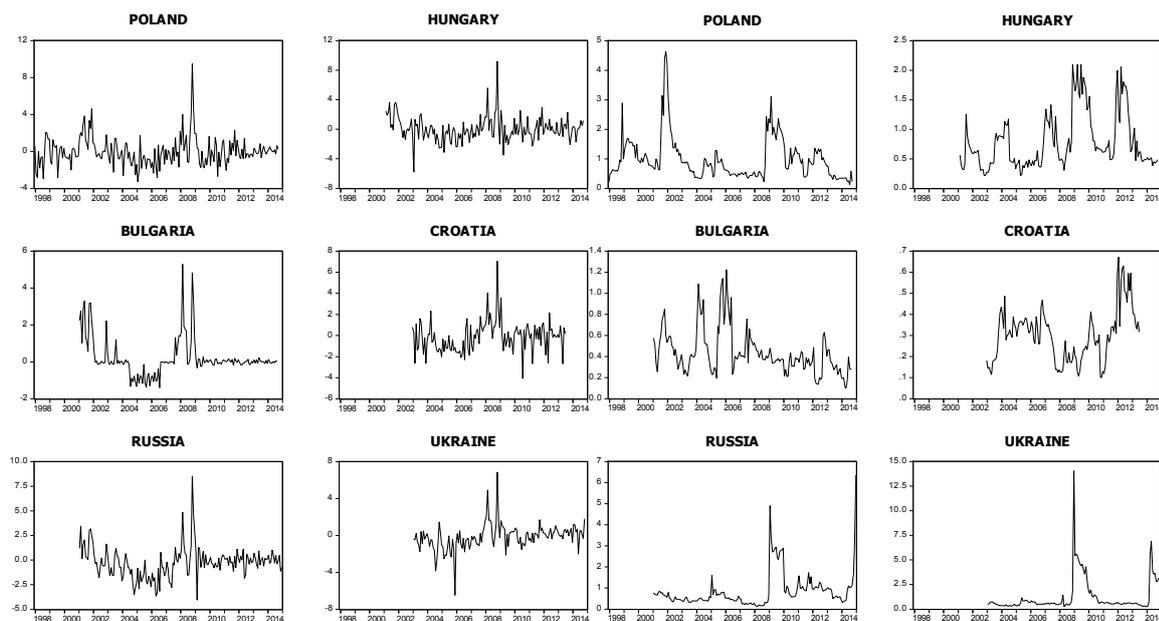


Measured as the standard errors of a rolling AR(1) regression over 12-month windows.

3. Results

Figure 1 shows the calculated time series of volatility in the price of U.K. Brent from 1990 to 2014. We see increases in this variability throughout the sample period, but the largest “spike” occurs immediately before and during the 2008 Global Financial Crisis. At the same time, EMP increased during this period, as did real exchange-rate volatility for these CEE countries. Our goal is to test empirically the causes and interlinkages of these movements.

Figure 2: Exchange market pressure indices (left side) and REER volatility (right side)



First, we test for direct spillovers between volatility measures using a bivariate Granger-causality test. The results are provided in Table 1. We see that in four of the six countries, increased oil-price variability spills over to the real effective exchange rate. In other words, oil price risk leads to risk in the “terms of trade,” or the competitiveness of the CEE region. Only in Ukraine is the other direction of causation significant at 5 percent. Perhaps world markets are sensitive to events in this country.

Table 1: Bilateral Granger causality test results (p-values in parentheses).

	Poland	Hungary	Bulgaria	Croatia	Russia	Ukraine
REER → POILB	0.288 (0.599)	3.774 (0.054)	0.360 (0.549)	2.502 (0.116)	0.457 (0.500)	3.989 (0.048)
POILB → REER	6.645 (0.011)	10.644 (0.001)	0.016 (0.898)	0.435 (0.511)	8.844 (0.003)	42.245 (0.000)

Bold = significant at 5 percent.

Finally, Table 2 shows the main Granger causality/Block exogeneity test results. Variables are differenced based on stationarity tests results that are available upon request. Our key item of interest is the effect of oil-price volatility on EMP, credit growth, GDP growth (proxied by log changes in the monthly index of industrial production), and CPI inflation. Our main finding is that CEE exchange markets are less affected by commodity-price risk than are other variables. Oil-price volatility has a significant impact on credit

Table 2: Bilateral Granger causality test results (p-values in parentheses).

Poland	EMP	DCRG	GROWTH	DINF
EMP		0.578 (0.447)	14.785 (0.000)	0.604 (0.437)
DCRG	0.116 (0.733)		7.790 (0.005)	7.696 (0.006)
GROWTH	0.572 (0.449)	1.349 (0.245)		6.097 (0.014)
DINF	0.063 (0.802)	14.217 (0.000)	9.793 (0.002)	
DGOVG	1.182 (0.277)	0.156 (0.693)	2.077 (0.150)	1.227 (0.268)
DLNUSPS	2.526 (0.112)	0.666 (0.414)	0.316 (0.574)	0.070 (0.791)
DVOLPOILB	0.777 (0.378)	6.892 (0.009)	0.241 (0.624)	0.212 (0.645)
All	5.138 (0.526)	25.643 (0.000)	28.004 (0.000)	18.152 (0.006)
Hungary	EMP	DCRG	DGROWTH	DINF
EMP		1.901 (0.168)	0.307 (0.579)	0.136 (0.712)
DCRG	1.934 (0.164)		0.145 (0.703)	0.000 (0.993)
DGROWTH	0.143 (0.705)	0.058 (0.810)		2.393 (0.122)
DINF	0.035 (0.851)	3.233 (0.072)	0.38 (0.538)	
DGOVG	2.365 (0.124)	2.187 (0.139)	3.793 (0.052)	0.179 (0.673)
DLNUSPS	1.629 (0.202)	0.252 (0.616)	0.131 (0.717)	2.881 (0.090)
DVOLPOILB	0.410 (0.522)	0.803 (0.370)	2.489 (0.115)	0.343 (0.558)
All	4.928 (0.553)	12.316 (0.055)	13.958 (0.030)	7.815 (0.252)
Bulgaria	EMP	DCRG	DGROWTH	DINF
EMP		0.557 (0.456)	3.634 (0.057)	0.336 (0.562)
DCRG	0.830 (0.362)		0.008 (0.927)	0.456 (0.500)
DGROWTH	0.965 (0.326)	0.494 (0.482)		0.357 (0.550)
DINF	0.250 (0.617)	0.635 (0.425)	0.148 (0.701)	
GOVG	0.000 (0.993)	0.136 (0.712)	0.315 (0.575)	0.063 (0.802)
DLNUSPS	6.018 (0.014)	7.991 (0.005)	0.152 (0.696)	5.156 (0.023)
DVOLPOILB	1.051 (0.305)	0.011 (0.916)	0.003 (0.957)	0.001 (0.979)
All	9.207 (0.162)	9.461 (0.149)	4.927 (0.553)	6.496 (0.370)
Croatia	EMP	DCRG	GROWTH	DINF
EMP		0.092 (0.762)	0.771 (0.380)	0.213 (0.645)
DCRG	1.270 (0.260)		0.001 (0.974)	
GROWTH	0.449 (0.503)	0.003 (0.957)		0.608 (0.435)
DINF	0.324 (0.569)	1.599 (0.206)	0.491 (0.484)	0.725 (0.394)
DGOVG	1.105 (0.293)	0.048 (0.827)	0.825 (0.364)	0.475 (0.491)
DLNUSPS	1.634 (0.201)	0.267 (0.605)	0.428 (0.513)	0.084 (0.772)
DVOLPOILB	0.558 (0.455)	4.633 (0.031)	0.159 (0.690)	9.475 (0.002)
All	4.423 (0.620)	9.790 (0.134)	4.492 (0.610)	11.50 (0.074)
Russia	EMP	DCRG	DGROWTH	DINF
EMP		1.099 (0.295)	4.986 (0.026)	0.437 (0.508)
DCRG	0.007 (0.933)		3.484 (0.062)	0.001 (0.978)
DGROWTH	1.794 (0.180)	2.947 (0.086)		2.585 (0.108)
DINF	0.701 (0.402)	2.200 (0.138)	0.802 (0.371)	
DGOVG	0.332 (0.565)	1.623 (0.203)	0.090 (0.764)	0.192 (0.662)
DLNUSPS	2.832 (0.092)	0.503 (0.478)	4.546 (0.033)	0.026 (0.871)
DVOLPOILB	0.729 (0.393)	0.886 (0.347)	4.415 (0.036)	0.175 (0.676)
All	5.804 (0.446)	9.916 (0.128)	25.082 (0.000)	3.105 (0.796)
Ukraine	EMP	DCRG	DGROWTH	DINF
EMP		1.280 (0.258)	2.023 (0.155)	0.754 (0.385)
DCRG	2.172 (0.141)		0.040 (0.841)	1.630 (0.202)
DGROWTH	1.340 (0.247)	9.834 (0.002)		6.294 (0.012)
DINF	0.748 (0.387)	4.783 (0.029)	1.262 (0.261)	
GOVG	0.214 (0.644)	2.849 (0.091)	2.094 (0.148)	0.020 (0.887)
DLNUSPS	1.152 (0.283)	0.187 (0.665)	4.785 (0.029)	3.277 (0.070)
DVOLPOILB	0.252 (0.616)	0.036 (0.849)	0.487 (0.485)	0.172 (0.678)
All	6.789 (0.341)	26.01 (0.000)	14.872 (0.021)	14.232 (0.027)

growth in Poland and Croatia and GDP growth in Russia. U.S. stock-price movements significantly affect EMP, credit growth, and inflation in Bulgaria, and GDP growth in Russia and Ukraine. The other macroeconomic variables (such as the linkage between inflation and

credit growth and Poland) have important effects as well. Clearly, business leaders and policy makers must be wary of the role that commodity-price fluctuations have on the macroeconomies of the countries in which they operate.

4. Conclusion

Commodity-price volatility, which has increased over the past year with the recent plunge in oil prices, has the potential to introduce risk into the business environment. In particular, CEE countries might find the costs of this risk to outweigh the benefits brought by high energy costs. This study models oil-price and real effective exchange rate risk for six CEE economies before using VAR methods to test for spillovers between risk and a set of macroeconomic variables. The Granger causality results are supported by IRFs that are discussed elsewhere. We find that credit growth and output growth are most affected by oil-price risk, but not for every country in the study.

References

1. Hegerty, SW 2012, 'How integrated are the exchange markets of the Baltic Sea region? An examination of market pressure and its contagion', *Baltic Journal of Economics*, vol. 12, no. 2, pp. 109-122.
2. Hegerty SW, 2014a, 'Exchange market pressure, commodity prices, and contagion in Latin America', *Journal of International Trade & Economic Development*, vol. 23, no 1, pp. 56-77.
3. Hegerty, SW 2014b, 'Exchange market pressure and price spillovers in Russia, Ukraine, and Belarus', *Applied Econometrics and International Development* vol. 14, no. 2.
4. Koseoglu, SD & Cevik, EI 2013. 'Testing for causality in mean and variance between the stock market and the foreign exchange market: An Application to the Major Central and Eastern European Countries', *Czech Journal of Economics and Finance (Finance a uver)*, vol. 63, no. 1, pp. 65-86
5. Pesaran, MH and Shin, Y 1998, 'Generalised impulse response analysis in linear multivariate models', *Economics Letters*, vol. 58, pp.17-29.
6. Phylaktis, K & Ravazzolo, F 2005, 'Stock prices and exchange rates dynamics', *Journal of International Money and Finance*, vol. 24, no. 7, pp. 1031-1053.
7. Stavárek, D 2011, 'Comparison of exchange market pressure across the new part of the European Union', *Emerging Markets Finance and Trade*, vol. 47, iss. sup 3.
8. Van Poeck, A, Vanneste, J, & Veiner, M 2006, 'Exchange market pressure in the formerly planned Central and Eastern European countries: the role of institutions', *Tijdschrift voor Economie en Management*, vol. 51, no. 3, pp. 309-46.

THE COMPARISON OF THE DIFFERENT WAYS OF THE INTRODUCTION OF THE 5S METHOD IN PRACTICE AND THE EFFECT ON THE PRODUCTIVITY AND THE ACCOUNTING INFORMATION

István VAJNA, Anita VAJNA-TANGL
Szent Istvan University, Gödöllő Hungary
E-mail: vajna@vajna.hu

Summary: High quality can be realized only in a highly organized business work environment. The 5S method is the method for developing workplace and mind-set of the people. As everything the 5S is changing and developing in methodology too. Several productivity development methods in production or administrative processes lay on the 5S optimization. The 5S optimization of the workplace is based on the combination of work elements and functions used by peoples in their daily activities. 5S has well-structured steps. The highest impact and productivity increasing result will be realised if the method is proper introduced and all employees understands the theory and practice involved effectively. The 5S introduction in practice always differs from the type size of the company of the shop floor. Wrong introduction of the 5S can lead to negative result and dissatisfied customer and demotivated people. The effect of the 5S system influences the type and the value of the accounting information, what are used by the management in their daily activity. The 5S system influences of the costs and returns structure and value. Our research presents the comparison of two 5S introduction method and effect on daily management in point of view of accounting information and productivity.

Keywords: 5S, Standardized Work, Productivity, Human resource development, accounting information

1. Introduction and methodology

The globalization emerged all companies to revise their activities. The companies which were leading for long time on the market there no more leaders or even does not exist. The cause is the quick information change and business rush. Business is very much a team sport. (Takashi, 1991) Every team has their members, peoples are managers, some are players, some supporters, but all have to do their job well if the team expects to win. Nowadays those teams can win which can react promptly to the changes of the business needs. The shorter delivery times the higher quality needs of the customer to lower prices is no more luxury nowadays it is a basic need of many. These were just the three elements of productivity (QCD) that the customer is willing to pay for and the other is the productivity (P) safety (S) and morale (M). The difference in competitiveness of the companies is well defined on the bottom line/bottoms and operated by methods and rolled through processes down to micro operations. The way that how management thinks, how management acts or top-down, or bottom-up it is nowadays may be not the best approach to lead the company. These are relative merits are discussed but the role of managers in process development, operation and sustainability is definite. Top-down approach doesn't work because people don't understand always the orders and jobs requested by the bosses. Even when the orders from bosses are not clear to workers the response are closed responses answering yes. The problems remain hidden or being hidid because workers have fear from management. The problem solving is "very loud". The problems with time accumulate on the workplace and cause process and financial wastes

because the costs of wastes are embedded in the variable and final in the total costs. This reduces the competitiveness. The bottom-up management system will be also not effective unless the people on the top are not committed to make working. The Gemba reflects the attitude of managers. Tacit knowledge remain hidden explicit knowledge is variable that results variable output. The real cause is the lack of standardization. (SDCA) The One of the key success in business of the Japanese companies is the well organized and prepared workplace, where the work can be performed smoothly and effectively. This is not the only one positive effect of the 5S thinking and organized companies also help to detect as quickly as possible the abnormalities. The visualisation is the “brother tool of 5S” to keep in hand the process parameters and overall productivity. With a good introduction and set-up of the visual tools can be immediately identified if is something is running normal or abnormality occurred. The 5S workplace environment helps to run the company to the calculated operation cost. If problems happen needs problem solving which needs extra resources investment and more time so this raise the variable costs. The daily operation and production control can be also effectively performed in 5S environment workplace. If a company can’t do 5S than can’t do anything. “If you can’t do the 5S, you can’t do the other work.” (Takashi,1991), The company’s ultimate goal is to enhance productivity PQCDMS and raise the profits. The 5S has direct and indirect effect on all the six elements of the productivity PQCDMS. If there is business environment change need to react as soon as possible. The root cause is the “change” because everything is always changing that we can’t stop. Change is normal, always happen in our everyday lives like changing the weather, the temperature, the mood of a person, day and night, light and shadow, wind, speed, geometry, taste, need, sound, space or time. The winners are not those companies which are the most powerful those that can adapt successful to the changes and to respond to high challenges. In practice this includes all element of raising the productivity completed with the problem-solving. Those companies which apply the 5S method successfully are more stable and profitable and the product quality is stable (Table 1). Also in these companies the innovation ability is higher, because people are willing to give their constructive ideas more spontaneous, there are motivated financially and morally (5S idea and contest).

Table 1: The relation between 5S flow of production and quality of items

5S DETERMINES AND INFLUENCES THE FLOW & QUALITY OF PROCESSES ELEMENTS UP TO MICRO LEVEL	
Flow of production -speed	Quality level of production
Availability (machines, tools, people, materials, information)	Quality of data and information
Lead time - production capacity	Eliminate process waste, reduce waste in the plant
Changeover effectiveness and frequency	Detect quality problems
The information flow	Basic of visualization
The work in process, stocks, costs	Scrap rate
Visualization of the flow	Visualization by andon of the errors in processes
Visualization of processes	Reaction time action if error occur
Visualization of takt time	Visualization of actual quality rate
Visualization of actual production rate	The focused quality problemsolving
Visualization of morale	Making possible the zero monitoring
Visualization of knowledge	Quality kaizen activities
Prevent accidents	Reduce finally costs, increase profit

Source: own

In 2007 Toyota Motor Company became the biggest car manufacturer in the world. TOYOTA developed in his business practice the 4P (philosophy, people, process, problem solving), and TPS (Toyota Production System.) (Liker,2004). All the basis of TOYOTA Production System lays on 5S and visualisation. Their goal is to realize the ultimate visual factory. The 5S method influence all process factors namely the speed (flow) of production and the flow of the quality (QR). The 5S is one of the methodologies for realizing organized change to be more effective or to use less energy to perform any actions during the work time. The 5S needs human interaction and concentration, discipline. All elements of the production (4M=Man, Material, Machine, Method) or service use machines, materials by methods operated by human intelligence and power. The flow and quality of the information between the persons-to-persons machines-to-persons in any process strongly determines all activities and their output (PQCD). On the organized workplaces all the activities in production or in office goes much smoother. There are many questions about what method to use to manage change. How to react to a change? How many time we need to perform change or do how many do we have? What to change and what not? When to change? Who will change? Rationalization is a sociological event that everywhere can happen, that can be a family or a workplace. Rationalization refers to the change of traditions, and values and emotions, motivations as well motivators for the behaviour in a group with rational or by calculated ones. The managed workplace change by rationalising is doing by 5S method. 5S is a JAPANESE Method it is true, but the roots go back earlier and to USA. Henry Ford in their workplace management also used mosaic word to define the rules of the workplace effectiveness. Henry Ford introduced workplace development in five steps and gave a strong message “CANDO” that anyone can do, no exceptions accepted (Table 2). The 5S method is really a Japanese method for the good housekeeping. It is also called the method for organizing the highest quality workplace and for maintaining it. By the Japanese work philosophy good and high quality product can be produced only in a well organised high quality workplace. This is obvious if someone listening outsider, but it is hard to do in practice. 5S introduction is one of the most challenging and responsible development action in a company that defines the improvement capability and morale on long term.

Table 2: Comparison of the CANDO method with Japanese 5S

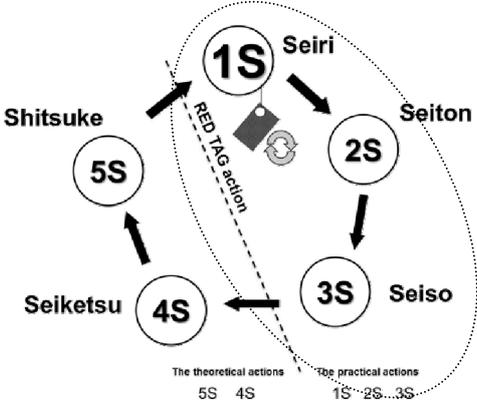
Ford's CANDO+5C	Japanese 5S	in Japanese	Actions / Meaning
Cleaning Up (clear out and clarify)	Sort	Seiri	Sort and set in order sort and set in order Red tag action
Arranging (configure)	Straighten	Seiton	Everything is labelled and visualized. Identify, find, take & put back rule.
Neatness (Clean)	Sweep	Seiso	Clean. Make shine everything.
Discipline (Conformity)	Standardize	Seiketsu	Standardize the 5S.
Ongoing Improvement (Custom and practice)	Self-Discipline	Shitsuke	Make discipline

Source: own

Even in Japan not every company knows or practices 5S. Therefore 5S introduction is always new, but also as everything has developed. In this research we compare the difference

between the introductions of 5S in Traditional way with two new way based case studies (Figure 1), 1S, 2S, 3S change in Gemba. 4S, 5S change in information and human behaviour.

Figure 1: The graphical scheme of 5S process



Source: own

The Accounting is an information source for the outsiders and for the internal entities of a company. The information for the outsiders (investors, creditors, authorities etc.) is basically about the value of the property about the income statement of the company’s whole activity. The internal users of the accounting information are mainly the managers and the workers. We can say that they utilize the managerial accounting information in their everyday practice. The accounting system is not alone and not for itself. The accounting data are used in the controlling system, too. One of the main questions by a producer or service company is the efficiency and the profitability. The answers and the causes are coming from the controlling and the accounting.

The efficiency can be influenced by the cost side, too. The accounting and controlling system can provide the data about the cost of a product or of a service. There are two methods for cost calculation: traditional cost calculation and the Activity Based Costing (ABC). The traditional cost calculation focuses on the product or service unit and the information is not so detailed and do not support the internal decisions. Mainly these costs are used for the financial statement as a cost of the sold product (income statement) and the value of the self production (balance sheet).

The ABC system focuses on the production flow and provides more detailed information for the managers for the decision making inside the company related either to the improvement possibilities. By this system is it available to calculate the overheads and spread them in different way onto the product cost (Harmon, 2010).

The productivity improvement methods like the 5S influence the cost of the product. The ABC system can show the effect of the 5S activity, because the cost of the 5S activity and the effect of the 5S modify the overheads, too. We can measure the productivity improvement methods step by step and their influences on the cost pools.

2. Comparison of the traditional and new way of the introduction of 5S

Contracting, preparation and 5S campaign phase: Company **decide** the introduction of 5S by own or consultant company. Decision was taken over the 5S introduction date. The goal of the first action is communicated. In our research we highlight the vital importance of communication and to be defined well and included in 5W2H steps. We show the 5S introduction is important, because this is a method, a lean tool to reach the company goals and make work easier. More important is to make people to understand and on the end to get the

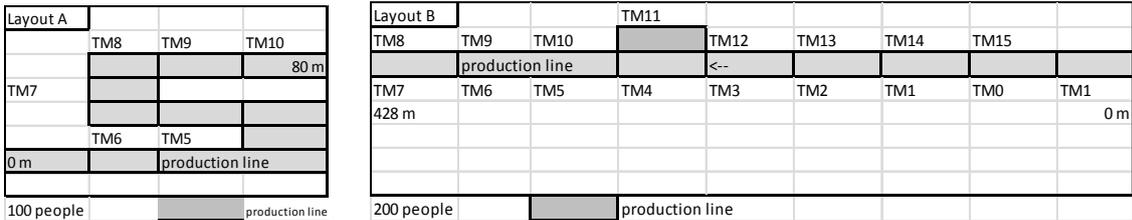
answer from themselves to the question why 5S? If not further training needed. In the summarize part of the results we show by numbers the activity and result rate of people (revealed problems / solved problems). Without 5S standard work (SOP) cannot be run properly or will not sustainable.

Human preparation: In the preparation phase is selected a champion the most probable candidate to become the “5S leader”. This person is the PIC (person in charge) responsible for all activities from introduction to “running” the 5S. The 5S campaign is announced officially on production board / before shift changes by 5S PIC and local supervisors.

Equipment tools preparation: The necessary tools for 5S are preliminary purchased the 5S work standards are posted by consultants and PIC prepare and is printed out in the necessary volume. Training material is printed. All employees are trained. Training was held in small groups 20/group in 4hour sessions. In traditional the training takes 5 days.

The study of the design of the layout of the workplace is essential for the 5S introduction success. Layout is vital in 5S introduction. Also can cause disadvantages in people handling during the introduction process if is not enough designed the action. Actions differ in result when it is functional design or line or cell type, or if it is mixed design. The number of people in one team is important for the 5S activity (recommended 2-5-6) and how they are isolated physically by others. In our case study we demonstrate two cases. One was performed in food industry and the other in construction. Both layout designs are line type and its combination un “S” shape. One is 80m long and the other was 428 m long.

Figure 2: The layout of the food industry layout A and layout B in the construction



Source:own

The technological requirements did not allow to act only on a model area because the hygiene standards denied, on other case if one equipment is not developed could cause breakdown too. The new way of the introduction 5S method differs from the traditional one in several items. The **preparation** and run was made by 5W2H and OPPDCA x PQCDSM combination (Imai, 1986). The preparation phase took two times more as in traditional way. The “P” hase was longer but the whole “DC” was only 5 days. 100 and 200 workers were trained. In traditional method this last sometimes 3-6 months or more to catch up to the same level everyone. The stabilization as the 4S, 5S of course needs most the same time. This differs from culture and technology. During our development was used the formalism to introduce the standard of the 5S. The Y generation has less practical approach. Every 5S step of the action and progress was controlled by visualisation on board and A0 papers, and colour coding. In every 90 minutes the team leaders made their reports. The original sequence of 2S, 3S was interchanged. New sequence was 1S, 3S, 2S, 4S, 5S. All the employees were trained in one session in one day. In the construction industry from 200 employees was selected 30 to became 5S area responsible. Only one person was done exceptional performance he identified alone 51 red tags. In total 357 red tags were set and in 5 days 304 were solved. The tools were prepared to the workplace. The 5S map was divided not by location but rather equipment and material flow. There was determined identified all equipment. The 3S action was performed by “clock wise rule” and reverse “contra clock wise rule” that means the identification and

cleaning was performed by moving in that direction. The physical orientation of the machines sides was assigned like NSEW.

A sketch was done that everyone could understand. The delegation of persons to the machine was based on NWSE and complexity and statement. The problems were registered in the same logic.

3. Results

The problems were identified during observation and 1S, 2S, 3S activities in case of the construction and food industry (Table 3).

Table 3: Results of the 5S Red tag activity performed during the five day Gemba action

RED TAG actions in food industry	psc	%	RED TAG actions in construction industry	psc	%
Total Red tags in 5 days	310	100,00	Total Red tags in 5 days	375	100,00
Solved	233	75,16	Solved	304	81,07
Registered red tag by one person from total	25	8,06	Registered red tag by one person from total	51	13,60
Remaining to be solved	77	24,84	Remaining to be solved	71	18,93
Average card/ person	1,55	0,50	Average card/ person	1,875	0,50
<i>*one "red tag" can stop the production</i>			<i>*one "red tag" can stop the production</i>		

Source: own

To reduce the daily management time by searching the identified red tags hanging on the equipment would take too much time. The problem solving would be slower as expected. It was set up the 5S Red tag board with identical layout of the machines and names (ID) as in production. The red tags were hanged on hooks by the operators when was doing job near the board. In this way was eased everyone’s job during of a RED tag identification-delegation and solving PDCA cycle. In this way the daily management activity time was reduced with 50 minutes compared to traditional way. To discuss and prioritize the jobs needed just 15 min per day. Tools searching time was reduced from 5 minutes to 30 seconds and 2 seconds. Lead time was reduced during half year with 20%. The change over time was reduced from 90 to 10 minutes. Unsolved active Red tags number on the shop floor was limited to 20 pcs.

Standard work can be performed conform established by production engineering. 5 new improvements were introduced within 2 month.

In the new way of introduction of 5S in the PDCA cycle the “P” phase was 2 times longer than the traditional 5S method, but the whole “DC” was only 5 days. 100 and 200 workers were trained. In traditional method this last sometimes 3-6 months or more to catch up to the same level everyone.

To be effective in the 5S introduction it was a must to change the traditional operation approach because of technological restriction like hygiene and machine availability due to line design (Table 4).

By the two 5S activity the companie’s production flow and the 5S method was optimized, too. The cost of the improvement system was reduced. The training time was less and the parallel improvement of the production lines caused faster introduction of the system. The cost and the time waist of the introduction were only single and after the improvement the production could be started on the maximum capacity and it increased the output and the revenues.

The cost pools of the ABC analysis got less both cost pool numbers of and the value of cost pool.

Table 4: The new approach of 5S

“Classic” 5S	Explanation of the developed 5S approach
1S: Seiri	Separate, eliminate the necessary from unnecessary (do it in SDCA) repeatedly. Red tag
3S: Seiso	Clean and inspect→red tag action Inspect to detect→, Detect to repair→,Repair to prevent. No reoccurrence of the same problem
2S: Seiton	Everything has fix place and everything is in the place. 6R Rule Right item (own, common) Right place,(Where) Right quality,(Good – bad) Right quantity, Right time Rule of the item use: 2”-30”-2’
4S: Seiketsu	Set up rules for the best operation, Standardize (SDCA)
5S: Shitsuke	High discipline and morale Everyone is involved in KAIZEN activities and this is natural.

Source: own

References:

1. Harmon C. (2010): Managerial accounting, Tools for business decision making, John Wiley & Son, Chapter 4, p. 4–6.
2. Iami K (1986): Kaizen, The Key to Japan’s Competitive Success, Kaizen Institute, p. 10.
3. Liker J.K. (2004): The Toyota way, Mc Graw – Hill, p. 13.
4. Takashi O. (1991): The 5S’s, Five Keys to Total Quality Environment, Asian Productivity Organization, p. 1-10.

QUALITY IN MANUFACTURING – IS A MANAGEMENT TOOL?

Csaba Bálint ILLÉS¹, Csaba SZUDA²

¹Szent István Egyetem, Gödöllő, Hungary

²Clarion Hungary Electronics Kft, Nagykáta, Hungary

E-mail: Illes.B.Csaba@gtk.szie.hu

Summary: As of today the quality of the company is one of the essential part of the business competitiveness. Business has changed radically since the last major revision of ISO 9001 in 2000, technology has changed how we work, geographical boundaries are almost insignificant in today's global economy, supply chains are increasingly complex and the information available has multiplied exponentially. To be realize a management tool the quality principles have to apply in all of operation and to be successful, businesses have to adapt to meet the growing needs of customers.

Keywords: quality, manufacturing, management

1. The evolution of quality systems

As of today the quality of the company is one of the essential part of the business competitiveness. There is a long way taken from F. W. Taylor when he' issued the The principles of Scientific Management in 1911.

The quality takes the necessary evolutionary steps from the quality control to the TQM (Total Quality Management).

The in-between steps known as quality control, quality assurance, quality systems and finally the TQM.

Total quality management can be summarized as a management system for a customer-focused organization that involves all employees in continual improvement. It uses strategy, data, and effective communications to integrate the quality discipline into the culture and activities of the organization.

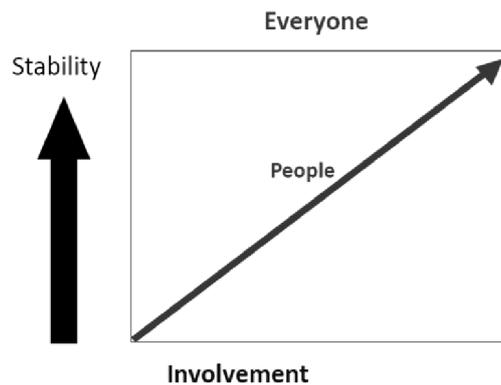
Customer-focused.

The customer ultimately determines the level of quality. No matter what an organization does to foster quality improvement—training employees, integrating quality into the design process, upgrading computers or software, or buying new measuring tools—the customer determines whether the efforts were worthwhile.

Total employee involvement.

All employees participate in working toward common goals. Total employee commitment can only be obtained after fear has been driven from the workplace, when empowerment has occurred, and management has provided the proper environment. High-performance work systems integrate continuous improvement efforts with normal business operations. Self-managed work teams are one form of empowerment.

Figure 1: Relation between Involvement and Stability



Source: own construction

As more people involved, more problems are solved which create a more stable environment. As the environment becomes more stable, more people can be involved in problem solving.

Process-centered.

A fundamental part of TQM is a focus on process thinking. A process is a series of steps that take inputs from suppliers (internal or external) and transforms them into outputs that are delivered to customers (again, either internal or external). The steps required to carry out the process are defined, and performance measures are continuously monitored in order to detect unexpected variation.

Integrated system.

Although an organization may consist of many different functional specialties often organized into vertically structured departments, it is the horizontal processes interconnecting these functions that are the focus of TQM.

Micro-processes add up to larger processes, and all processes aggregate into the business processes required for defining and implementing strategy. Everyone must understand the vision, mission, and guiding principles as well as the quality policies, objectives, and critical processes of the organization. Business performance must be monitored and communicated continuously.

Strategic and systematic approach.

A critical part of the management of quality is the strategic and systematic approach to achieving an organization's vision, mission, and goals. This process, called strategic planning or strategic management, includes the formulation of a strategic plan that integrates quality as a core component.

Continual improvement.

A major thrust of TQM is continual process improvement. Continual improvement drives an organization to be both analytical and creative in finding ways to become more competitive and more effective at meeting stakeholder expectations.

Fact-based decision making.

In order to know how well an organization is performing, data on performance measures are necessary. TQM requires that an organization continually collect and analyze data in order to improve decision making accuracy, achieve consensus, and allow prediction based on past history.

Communications.

During times of organizational change, as well as part of day-to-day operation, effective communications plays a large part in maintaining morale and in motivating employees at all levels. Communications involve strategies, method, and timeliness.

2. The evolution of quality standards

The quality standards are following this evolutionary ladder as well.

If we look the ISO 9001:1994 version, that is cover the classical quality control requirements. The main items of those requirements: heavy documentation, working based on documented procedures, inspection, permanent product quality.

The next step is the issue of the ISO 9001:2000 and 2008 standards. This introduce the quality objectives, customer satisfaction and process management concept.

In front of the door is waiting the new ISO 9001:2015 standards which is focus on the followings: risk management, use the opportunities, skill (competence) management, customer satisfaction.

That is clearly seen the new version would like to be a management standard more than before to eliminate weaknesses of the previous versions such as to focused to much the documented system, weak risk management. The new ISO is focusing the risk management, makes less documentation burden, checks the active participation of the management, skill and competence management, improvement of customer satisfaction.

In the manufacturing environment the quality traditionally mean the inspection especially the Asian origin companies but for the real success the company have to moves to operate really efficient quality management tool, which is affect the competitiveness of the company.

First if all we have to define what is mean of quality:

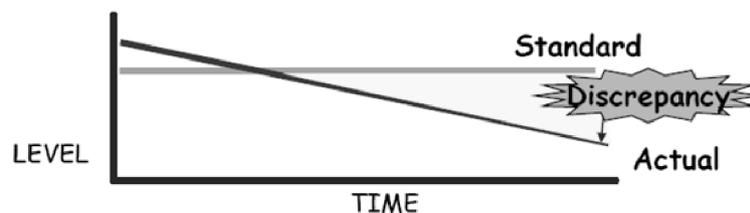
A subjective term for which each person or sector has its own definition. In technical usage, quality can have two meanings:

1. the characteristics of a product or service that bear on its ability to satisfy stated or implied needs;
2. a product or service free of deficiencies.

According to Philip Crosby, it means “conformance to requirements.”

Quality is not only mean the quality of product. Quality means the quality of operations, which is cover the whole area and processes of manufacturing.

Figure 2: The GAP between current situation and Customer Satisfaction



Source: by authors

In 1979, Crosby published his first business book, *Quality Is Free*. This book would become popular at the time because of the crisis in North American quality. During the late 1970s and into the 1980s, North American manufacturers were losing market share to Japanese products largely due to the superior quality of the Japanese goods.

Crosby's response to the quality crisis was the principle of "doing it right the first time" (DIRFT). He also included four major principles:

1. The definition of quality is conformance to requirements (requirements meaning both the product and the customer's requirements)
2. The system of quality is prevention
3. The performance standard is zero defects (relative to requirements)
4. The measurement of quality is the price of nonconformance

His belief was that an organization that establishes good quality management principles will see savings returns that more than pay for the cost of the quality system: "quality is free". It is less expensive to do it right the first time than to pay for rework and repairs.

In the electronic manufacturing there is a technological breakthrough in the past decade. The SMT (Surface Mount Technology) are getting standard and able to miniaturize the circuits and provide excellent quality even. The environment protection issues such as the RoHS also impact to the manufacturers especially who used soldering, that have to introduce lead free soldering.

As lead-free and RoHS compliancy fast approaches, it is more important than ever to build it right the first time. Lead-free assembly and RoHS will bring about numerous changes and the number of variables with which to contend is increasing, creating increased risk of defects and reduced product reliability. However, understanding what the variables are and their impact on the assembly can great increase product reliability.

ow only the product quality is not enough.

The product quality could be a heavy burden and cost if we're looking the traditional way such as inspection the part in the end. Quality is coming from the process not from the inspection.

As of today due to the automatization and poka-yoke principles everywhere the product quality are achievable.

But what about if we achieve quality targets as a price of cost competitiveness and reduced profit of the operations of the organization.

To be realize a management tool the quality principles have to apply in all of operation.

The changes are fasten now, the quick act to the demand of the markets are very important. But this is shorten the development time, shorten the time of release cause of the challenge is high in the sector, and who is earlier release the product it is win a market, even the product is not a perfect for the first time. Fast response is the key of success. The companies are need to going from reactive to proactive.

Business has changed radically since the last major revision of ISO 9001 in 2000; technology has changed how we work, geographical boundaries are almost insignificant in today's global economy, supply chains are increasingly complex and the information available has multiplied exponentially.

To ensure that ISO 9001 continues to serve the business community and maintain its relevance in today's market place, the standard is being revised to address the change in the business world.

One thing remains constant, to be successful, businesses have to adapt to meet the growing needs of customers.

References

1. Philip B. Crosby (1979): Quality is Free. New York: McGraw-Hill.
2. Frederick Winslow Taylor (1911): The Principles of Scientific Management, Harper & Brothers
3. John S. Oakland (2014, 4th edition): Total Quality Management, Routledge
4. Directive 2011/65/EU of the European Parliament and of the Council on the restriction of the use of certain hazardous substances in electrical and electronic equipment
5. ISO 9001:2008

THE EFFECT OF EARNING QUALITY ON LIQUIDITY RISK BY APPLYING ON BANKS REGISTERED IN IRAQI STOCK EXCHANGE

Saad S. ISSA¹, Wisam N. HUSSEIN², Satam S. HUSSEIN¹

¹ *College of Administration and Economy, Tikrit University, Tikrit, Iraq*

² *Szent István University, Gödöllő, Hungary*

E-mail: iuaa05001@yahoo.com

Summary: Liquidity risk arise from the sudden withdrawals on deposits and other bank liabilities, which makes the bank was obliged to sell its assets in a short period, with lowest prices. Liquidity risk looks at differences in net income and market value of the property rights resulting from the difficulty faced by the Bank in access to cash at a reasonable cost, from sale assets or access to new deposits.

Commercial banks are exposed to many of constant continuing changes in the economic environment that leads to many risks to effect on various activities, like lending, investment etc. The liquidity risk is one of those risks that commercial banks face, which affected by a range of variables, the most important is the quality of earnings.

Keywords: accounting, earning quality, liquidity risk

1. Introduction

The banking sector is one of the most important sectors and influential of the economy in response to variables, whether international or local. The most important of these variables in technological developments, global financial markets, freedom from constraints, and remove the barriers that prevent some financial institutions to work in specific sectors, and directing to develop risk management and lending. All of these will increase the growth of international competition in this sector, while seeking to attract foreign capital with the increasing role of the universality institutions such as the Bank for International Settlements (BIS) to overseeing of international banking institutions starting from Basel 1988 and beyond issuing a lot of institutions for control, supervision, disclosure and transparency and reducing of financial risk.

Problem: Iraqi banks are facing problem of liquidity risk, therefore there is a need to reduce these risks, to avoid the bankruptcy, and the question will be as follow: Is there an effect of the quality of earnings in the liquidity risk?

Hypothesis: our main hypothesis says that there is no significant effect of the quality of earnings in the liquidity risk.

Methodology: The methodology will dependence on the resources and researches to cover the theoretical side, either the practical side will be covered through mathematical models accredited. For achieving the objective of this research will be: concept and importance of the quality of earnings, profit quality measurements, concept of liquidity risk, measuring liquidity risk, the model of search and testing the research hypothesis.

2. Literature survey

Hence we noted that Jones (1991) is considered one of the first who wrote about the phenomenon of earnings management, where he put a model for monitoring this phenomenon, and later there have been many studies in this area that are dependent one way or another on this model.

According to Oriole (2003) the object of research to identify the extent of the practice of Spanish companies to manage their profits, and included the sample of study 35 companies listed on the financial market of Spain within the index (IBEX 35).

Qiang and Terry (2005) conducted a study on US companies which made their data available in the market during the study period from 1993 to 2000, and examined the relationship between ownership incentives for managers (ownership shares), and earnings management. The cited study assumed that managers who get high ownership incentives they are more inclined to do to sell their shares in the future, and this is what drives them to earnings management to increase their share value to be sold. The study founded that managers who get high ownership incentives are more inclined to do to sell their shares in the future, and they are more inclined to provide earnings reports conform to or exceed analysts' forecasts.

The study of Martinez (2007) showed that the characteristics of the effectiveness of audit committees as the size of the Audit Committee, the independence of their members, the degree of concentration of ownership and the level of financial and knowledge expertise of their members are affect the quality of the auditor's report.

3. Earning Quality

Net income is the most important item in the financial statements, it is an indicator of added value for company, which is the indicators that help guide the allocation of resources in the capital markets, and in fact, the theoretical value of the shares of the company is the present value of future profits. Hence the increase in these profits represent a reflection of the increased value of the company, while the decline in earnings indicates that this decline in value. The financial analysts looking to profit as the most important item in the input which they adopt in the decision-making process, but the dependence on the number of profit alone, without regard account some of the factors may lead to a reduction in the quality of earnings level, such as management of earning and high rate of accruals. This, in turn may lead to a non-reasonable decision, because of its focus on the size of the profits without focusing on quality.

3.1. The Concept of Earnings Quality

Researchers addressed the concept and quality earnings in several meanings depending on the different users of financial statements and their goal of use, and depending on the different point of view as it contains earning from the properties make them characterized quality.

Penman (2003) had pointed that high quality earnings are the earning that contain a good indicator for future earnings, with regard to the current performance of the company. It can evaluate the definition of earnings depending on the target of the financial analysis of the current performance of the company and assess to what extent can rely on this performance to forecast future performance of the company.

3.2. The Importance of Accounting Earnings Quality

Deriving the importance of the earning quality from the importance of the earning themselves; the company's profits, regardless of quality, is an important input in the process of making financial and investment decisions, as well as the earning are used in many forecasting studies of the performance of current and future company. Those important return to used earning of performance evaluation by a large number of users. As the earning quality go back to the ability of disclosed profits in the expression of real profits of the company and its usefulness in forecasting future profits, earnings quality is an important aspect in assessing the financial situation of enterprises by many parties, such as potential investors, creditors and users of

financial statement. The earnings quality in the company may be used as an indicator of dividends, especially the fact that the last of the important things to be taken into account when making investment decisions.

3.3. Metrics Quality Earnings

Several metrics are used to determine earnings quality level, and this is due to the difference users for financial statements and thus differing goals of the use of those statements, leading to differing views regarding the concept of earnings quality, and this leads the different scales used to determine the level of earnings quality. Where we can review these metrics as follows: Firstly, the continuity of earning: many researchers used continuity of earnings as a metrics of earnings quality, continuity is the link of current earnings and future earnings. It is the degree of continuity of the current earning during future period (Altamuro and Betty, 2007). Secondly, the absence of earning from earnings management interventions: (See: Jenkins,2006). Thirdly. matching revenues and expenses: the timing of recognition of revenue is measure of determining the earnings quality (Risberg, 2006).

3.4. The Reasons for Measuring Earnings Quality

The earnings quality measuring become increasing interesting in the recent years, especially after the collapse in large companies, in the United States. (Shroeder,2001).

3.5. The Concept of Earnings Management

Since the separation of ownership from management company directors sought to win owners trust confidence by trying to expand the property and to achieve stability in income. This is done to increase the ratio of cuts in a period of high profits and distributed in a period of low profits, which suggests the owners that the company continues to achieve a profit, even if the company achieved a net loss. The net profit declared gives an indication misleading to the decision-maker; it reflects the state of profit with a loss (Aflatooni and Nikbakht, 2010).

4. Liquidity Risk

Liquidity in the meaning of the absolute mean cash money, either liquidity in the technical meaning the ability of assets to switch to cash quickly and without losses, and liquidity is a relative concept reflects about the relationship between monetary and easy switching assets to cash quickly and without losses, and the required fulfilled liabilities. So it can't determine the liquidity of a bank or any individual except within the limits of its obligations. The liquidity in the banking system, means: the difference between the resources available and the money used in different types of assets within the balance imposed by the banking guidelines generally accepted, or that the banks are in the case of an abundance of liquidity when funds are available surplus to the bank's ability to borrow.

There are three dimensions liquidity (Howells & Bain, 2000, 8): time, risk and cost.

The importance of liquidity comes from the need for banks to liquidity to meet the needs of its customers to the money, while their customer needs facing either through withdraw their deposits at the bank or by borrowing, and that such needs continuous, so should these banks are always ready to face such requirements.

Bank liquidity can be divided into two main parts (Hempel and Simonson, 1994): the initial reserves are as follows: cash is owned by the commercial bank without win earning, consisting of reserves at the level of a single bank of five components: cash in local and foreign currency in the bank fund, cash deposits in the Central Bank, deposits in other local banks, checks under collection and deposits in foreign banks abroad.

The secondary reserve are liquid assets which generating return for the bank including the securities and trading bills discounted, which can be converted into cash when you need liquid, and achieve these reserves in the field of liquidity multiple benefits.

Liquidity risk of the inability of the bank to face the shortage of liabilities or to fund increases in assets and when the liquidity of the bank is not sufficient it cannot get enough money, whether by increasing the obligations or carry a reasonable cost to transfer its assets quickly into liquid assets, which affects the profitability, in extreme cases it can lead to insufficient liquidity lack of financial solvency of the bank. The importance of Risk Management may be concentrated in the following points:

- 1- Assisting in the forming of a clear future vision.
- 2- Development of a competitive advantage for the bank.
- 3- Risk assessment and hedging against it, so as not to affect the bank's profitability.
- 4- Help in making pricing decisions.
- 5- Development of securities portfolios management and work to diversify those securities.
- 6- Help the bank to calculate the capital efficiency ratio according to the new suggestions of Basel Committee.

5. Analysis of Results

The research sample consisted of 16 bank, was obtained statements for the period from 2004 to 2014, While the search form has been formulated by relying on a set of control variables is the size of the company, return on equity and financial leverage, The model takes the following formula:

$$LR_i = \beta_0 + \beta_1 TA_i + \beta_2 Size_i + \beta_3 ROE_i + \beta_4 LEV_i + \varepsilon_i$$

Where

LR_i= Liquidity Risk of firm i. It measured using the ratio of current assets to current liability
 TA_i= Earnings quality of firm i. It is proxy by Total accrual. It calculated on the basis of the difference between net income and cash flow from operating activities

Size_i= size of firm i. It is calculated using the natural logarithm of total assets of a company

ROE_i= Return on equity of firm i in year t. It is measured using the ratio of net profit of company to total equity

LEV_i= financial leverage of firm i in year t. It is calculated using the ratio of total debt to total assets.

ε_i= the error term for firm i

The following results were generated after the estimation of equation above as shown below.

Table 1: Results of calculations

Variables	Coefficients	Std. Error	t-statistic	Prob.
Constant	-2.235	1.259	-1.747	0.083
TA	-.616	0.785	-1.414	0.283
LEV	0.124	0.286	0.405	0.643
ROE	0.253	0.095	3.047	0.004
Size	0.818	0.127	1.828	0.080
		R-square	0654	
		Adj. R. square	0.545	
		F-statistic	5.246	
		Pro.(F-statistic)	0.033	
		Durbin Watson	2.647	

Source: authors' calculations

Table 1. shows that the value of F-statistic equal to 0.033 and this indicates that a significant statistical model in general. While the R-square value equal to 0.654. This means that changes in the dependent variable due to be the independent variable and control variables by 0.654 while returning the remainder to other factors. By focusing on the research hypothesis it turns out that there is a relationship between the benefits and risks of liquidity in the banks all the research sample. The dues also affect the liquidity risk.

6. Conclusion

The study focused on measuring the impact of earnings quality to liquidity risk, and used the total accruals as a proxy for earnings quality, while the measurement of liquidity risk through the ratio of current assets to current liabilities, as was the use of a number of control variables (SIZE, ROE, LEV). The study reached that there is a significant effect on liquidity risk, so researchers recommend Iraqi banks to raise attention to earnings quality in order to reduce the liquidity risk that can be exposed the Iraqi banks, especially under the effect of unstable environment that the banks works in it.

References

1. AICPA „Quality of Earnings & Earnings Management „ Weil Roman , 2009.
2. Gosalia , kamalesh „Earnings Quality Differential between Canadian and U.S. Public Companies” CGA of Canada.
3. Hempel Georg H. Simonson Donald F. and Goleman , Alan B. Bank management :text and cases,4 th ed de john wiley &sons, Inc, 1994.
4. Mulford, Charles, W. and Comiskey, Eugene, E. „The Financial Numbers Game” John Wiley & Sons, Inc., USA. 2002.
5. Parfet, W. U., Accounting Subjectivity and Earnings Management: A Preparer Perspective”. Accounting Horizons, 2000.
6. Penman, S. H., ‘The Quality of Financial Statements: Perspectives from the Recent Stock Market Bubble,’ Accounting Horizons, Vol.17, Supplement, 2003.
7. Qiang Cheng & Warfield Terry. (2005), „ Equity Incentives and Earnings Management”, Accounting Review, Vol. 80, Issue 2.
8. Schipper, K. Vincent, L. „Earnings Quality” Accounting Horizons, Supplement, 2003.
9. Schroeder . R. G , Clark . W, and Cathey . M „ Financial Accounting” Theory & Analysis , John Wiley & Sons . Inc 10th. ed. U.S.A. 2001.
10. Velury, U., & Jenkins, D. S. Institutional ownership and the quality of earnings, Journal of Business Research, 2006.

ROLE OF THE LIABILITY INSURANCE IN THE ENTERPRISE RISK MANAGEMENT

Olga MARKÓ¹, Anett PANDURICS²

¹*Szent István University, Gödöllő, Hungary*

²*Corvinus University, Budapest, Hungary*

¹*E-mail: marko.olga@gtk.szie.hu*

Summary: Safe, stable environment and predictability are of utmost importance during the operation of enterprises. One of the possible ways of preparing to the unexpected events and decreasing future risks is the insurance. Insurance companies offer several insurance products for companies, from which liability insurances are the most relevant. In the lack of insurance, uncommon damages which touch significant amount may destroy companies which affect negatively even the economy. Insurances and liability insurances therefore have outstanding, stabiliser role. This stabiliser role has significant effect particularly during economic crises, as it contributes to the economic growth by providing safe environment background to the recovery. The aim of the study is to shed light on the role and significance of liability insurances, by presenting the individual products of liability insurance and the possible risks of the enterprises. Also to assess the development, tendencies and current state of liability insurance market by interviewing the main actors of the liability insurance market and by analysing the aggregated market data of the past 10 years. The study highlights the risks of the currently under-insured market and that of the enterprises that possess low insurance limits, and the necessity of the mutually positive cooperation for both the domestic entrepreneur and insurance market.

Keywords: Liability Insurance, Enterprise Risk Management, Economic Stability

1. Introduction – types of the liability insurance

The managements of enterprises (especially of SMEs) are often not aware of the special features and the content of the different types of liability insurance products available on the market. In order to clarify these issues, in the introductory part of this study our aim is to define and describe the special features of liability insurance services, as well as the types and content of the most important liability insurances.

Liability risks are defined as loss exposures or loss through legal liability arising from actions of businesses (and individuals) that cause harm to others. This risk is considered to be one of the key risks a company faces, and the type of risk varies greatly according to the type of the activity, the size and the legal environment of the specific company. Besides the typical noninsurance risk management techniques (such as risk avoidance, loss control, risk retention), liability insurance have proven to be an effective method to protect market players against liability losses. Liability insurance is special construct, in which the insurance company covers the losses, damages causes by the insured (specifically the company or the manager of the company). The insurance company in this case covers the losses for which the insured is legally liable (Trieschmann et al., 2005).

The specificities of liability insurance differentiate it from other insurance lines, notably from the commercial property insurance. As you see in Table 1, these objective differences make the world of liability insurance more complex, the coverage is usually broader and the construct is loaded with much more uncertainty.

Table 1: Main differences between liability and property insurance

	Commercial liability insurance	Commercial property insurance
Trigger event	Usually all events which are not excluded	Often confined to named perils
Insured risk	Refers to liability claims of third parties; scope of insurance uncertain	Refers to an insured object
Size of claim	Payout restricted by policy limits	Payout restricted by policy limit or by the value of the insured object
Time between premium payment and claims settlement	Claims may be discovered with a lag and settlement need time	Usually no lag and quick settlement

Source: Swiss Re (2009), p.5.

The typology of the classic commercial liability insurances and professional liability insurance offered on the market is presented in Table 2.

Table 2: Types of commercial liability insurances

Commercial general liability (CGL)
Excess liability, umbrella
Environmental impairment liability
Product liability, Product recall and product integrity
Workers compensation and employers' liability, employment practices liability
Directors' & Officers' insurance (D&O)
Professional liability or errors and omission (such as medical malpractice or cover for accounting firms, layers, architects, etc.)

Source: based on Swiss Re (2009) p.7-8 and Swiss Re (2014) p.32.

The commercial general liability (CGL) used by companies to cover their general liability loss exposures. This liability policy covers bodily injury, property damage, personal and advertising injury and medical payments. The insurance company agree to pay on behalf of the insured except the damage is expected or intended. Among other things, contractual liability, liquor liability, workers compensations, employers' liability, environment pollution and aircraft are also in the exclusion list. As catastrophic loss exposures are not covered by commercial general liability, an excess or umbrella liability can help and provide protection to the business firms. Directors and Officers liability insurance (D&O) protect managers from claims which may arise from their own activities and own decisions. These activities and decisions are out of the company's contractual relationship and not in connection with the company's operations and goals. Professional liability insurance offers liability covers for special professional risks. These types of insurance provide protection to professionals such as lawyers, brokers, accountants, physicians, pharmacologists etc., who may cause damage to a third person under performing their professional services. These third persons are in contractual relationship with the professionals (Rejda & McNamara 2014).

2. Analysis of the Hungarian business liability market

The presentation of the assessment of changes and tendencies occurred on the liability insurance market and the presentation of the role and significance of the corporate liability

insurances were amongst our research goals. While concluding our analyses, we reviewed the current literature regarding the topic, assessed the aggregated market data provided by the MABISZ and interviewed the main actors of the liability insurance market.

The Hungarian liability insurance market is underdeveloped; the insurance penetration is significantly lower than the world average. As it is shown on Table 3, the largest market is by far the liability market of the United States, where 0,5% of the total GDP was spent on liability insurance in 2013. In Hungary, the same ratio was only 0,06%, which shows that the Hungarian companies have not yet realized the importance and significance of liability insurance as a risk management technique. As recent (2010) tragic event in Hungary has proven, some already paid a high price for that (the largest industrial disaster: waste reservoir collapsed at MAL Co. (covered up to 10 million HUF limit with liability insurance) released hazardous red sludge killing 10 people and causing at least 39 billion HUF in overall damages (hvg.hu).

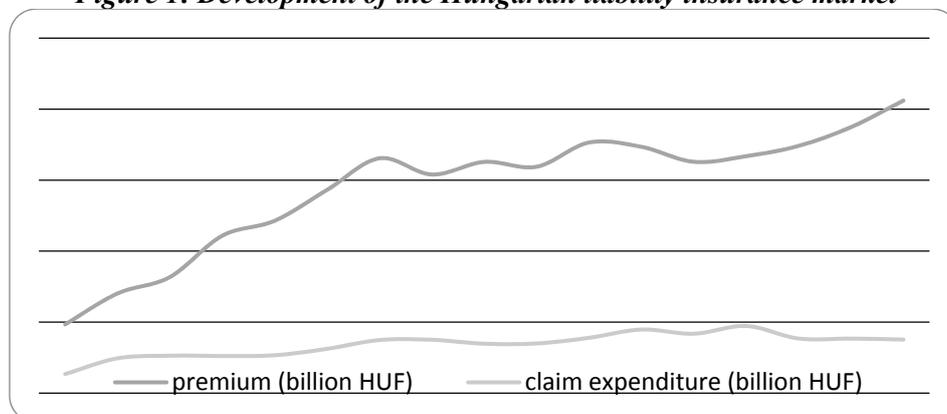
Table 3: Liability insurance penetration in international comparison

Rank		Premiums & GDP (USD billions) - 2013			Percentage share	
		Liability	Total Non-Life	GDP	Liability/Total Non-Life	Liability/GDP
1	US	84	531,2	16802	15,8%	0,50%
2	UK	9,9	99,2	2521	10,0%	0,39%
3	Germany	7,8	90,4	3713	8,6%	0,21%
4	France	6,8	83,1	2750	8,2%	0,25%
5	Japan	6	81	4964	7,4%	0,12%
6	Canada	5,2	50,5	1823	10,3%	0,29%
7	Italy	5	47,6	2073	10,5%	0,24%
8	Australia	4,8	32,7	1506	14,7%	0,32%
9	China	3,5	105,5	9345	3,3%	0,04%
10	Spain	2,2	31	1361	7,1%	0,16%
	TOP10	135	1150	46900	11,7%	0,29%
	World	160	1550	61700	10,3%	0,26%
	Hungary	0,067	1,3042	105	5,1%	0,06%

Source: Swiss Re (2014), p5.

The Hungarian insurance market has been steadily growing from a very low base level (see Figure 1).

Figure 1: Development of the Hungarian liability insurance market

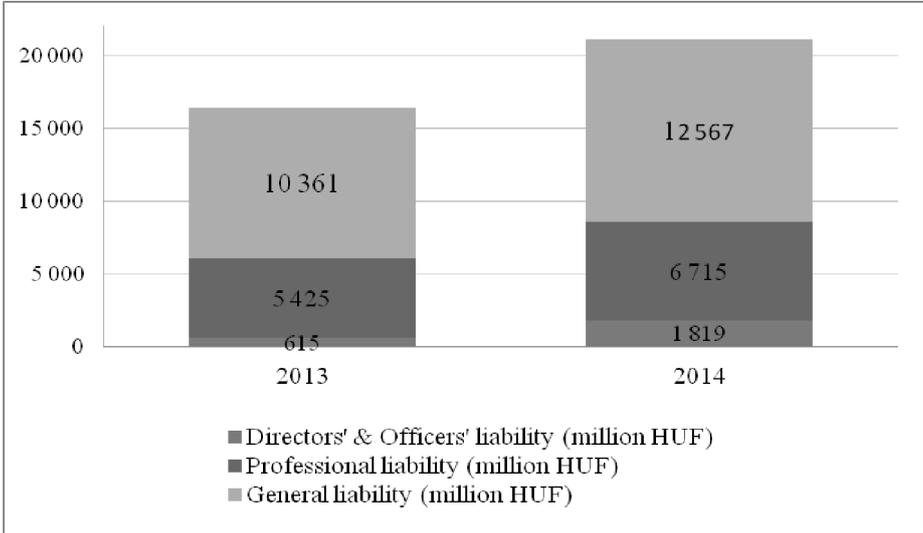


Source: MNB (2015)

In 2014 the total liability insurance market amounted up to ca. 20 billion HUF gross written premium. The claim ratio has only been 23% on average in the last 10 years (2005-2014), signalling a market segment with above average profitability compared to the total non-life insurance market profitability.

In 2014, the small segment (8.8% of the liability insurance market) of Directors & Officers Liability Insurance has received more attention and focus due to significant changes in the Hungarian Civil Code, according to which from March 15, 2014, companies and the management of companies are universally liable for damages caused by the company. As a result, D&O insurance grew significantly: closing portfolio was 615 million HUF in 2013 vs. 1,819 million HUF in 2014. The number of contracts is still very low (only 3811). Despite of the low number of contracts (3.7% of the liability insurance market), the increasing of premium of D&O insurances (1204 million) on the whole liability insurance market means almost 30% of the 4 billion increase which took place in the past year. Figure 2 shows the total premium and ratio of the three main types of the liability insurance in 2013 and 2014.

Figure 2: Premium of the Hungarian liability insurance market



Source: MABISZ (2015)

The growth of the total premium can be explained partly by the increasing number of contracts (professional and D&O) and partly by the increasing of general premiums. The degree of being exempted from responsibility during professional damages decreases which show to the direction of the objective responsibility.

Regulations make compulsory to conclude liability insurance in case of an increasing number of professions which draw the market's attention to the liability insurances. Besides, the insurance amounts of HUF 5-10 million laid down in the contracts concluded by the domestic companies deemed to be rather low. This is partly due to the bounding nature of insurances, as companies cannot see the real significance of the insurance, their primary goal is to conclude the contract on the lowest price possible. The management of most of the companies is not able to seize correctly the risks and their degree which the company has to face which also leads to the consequence that the chosen liability insurance does not cover the possible risks.

3. Conclusion

Although in the past year the modification of the legal background contributed to the increasing role of the liability insurance, the domestic enterprises are still not fully aware of their significance. One of the biggest problems of the domestic market is the extremely low penetration. Having insurance is not sufficient in itself if it does not cover the real risks or does not provide the appropriate cover on the given risk.

To decrease the lack of information on corporate side, experts should also be involved. Regarding real risks seized by these experts, the insurances concluded on appropriate limits (even HUF 50-100 million) may provide real cover for the companies.

By communicating the significance of the liability insurance, by the economic up-turn and by the change of the legal background, the level of insurance is expected to increase in the future. Market actors become more conscious and they turn their attention to the insurance companies, so that the demand of insurance increases on corporate side.

References

1. HVG.HU (2012): Vörösiszap katasztrófa: két éve bankban fekszik az adományozók pénze. hvg.hu, 2012. október 06.
http://hvg.hu/itthon/20121006_karmento_alap_penz_vorosizap_lekot
2. MABISZ (2015): Vagyonbiztosítás 2014. évi adatszolgáltatás
3. MNB (2015): Az MNB által felügyelt szektorok adatainak idősorai – Biztosítási szektor; http://felugyelet.mnb.hu/data/cms762375/idosor_biztosito_2015.I.ne.xls; 2015-04-30
4. Ptk. (2013): 2013. évi V. törvény a Polgári Törvénykönyvről, Harmadik könyv, I. rész, III. cím VI. fejezet (3:24 §)
5. Rejda G. E., McNamara M. J. (2014): Principles of Risk Management and Insurance, 12th Edition, Pearson pp. 582-592
6. Swiss Re (2009): Commercial liability: a challenge for businesses and their insurers, Sigma, 2009/5
7. Swiss Re (2014): Liability claim trends: emerging risks and rebounding economic drivers, Sigma, 2014/4
8. Trieschmann J. S., Hoyt R., Sommer D. (2005): Risk Management and Insurance, 12th Edition, Thomson-South Western

THE NEW APPROACH REGARDING TAXPAYERS INFORMATION IN ROMANIA

Laura Adriana COJOCARU, Aura Emanuela DOMIL

West University of Timisoara, Romania

E-mail: laura.deva@yahoo.com

Summary: In this manuscript we intend to reveal the importance of tax information for the economic environment in Romania.

Access to information is the key to quick success in business and in any field. Information under control in Romania is a known and inherited from times long gone. It is said that habits are difficult to correct and this is verified in terms of access to information in Romania. Determined to improve the relationship population – finance and efficiency in collaboration, Government attempts to grant remote services. It avoids meetings with taxpayers' tense economic situation uncertain, reduce communication time and avoid movements.

At first glance it seems a step forward in information, but like any "computer revolution" was received with optimism by computers skilled taxpayers and with reticence by the others.

As of December 2, 2014 Romanian taxpayer is granted access Virtual Private Area. This is an on-line, through which Romanian taxpayers can access tax information, and mail the form of assistance. Virtual Private Area, for now, an option and not an obligation, initially being available only for Bucharest, and then extending to the entire country. This is a software type character and has free RSS. This provides two-way communication channel between taxpayers and Finance Ministry.

Information desire derives from the need to attract foreign investors, who are ignorant of the first accounting and financial economic legislation in Romania.

Keywords: tax information, taxpayers, tax administration

1. Introduction

Benjamin Franklin wrote (1789) in his letter to Jean-Baptiste Leroy, according to which, in this world, death and taxes are inexorable, create a mentally-reserved image towards the public institution called revenue office or, more precisely, to The National Agency for Fiscal Administration (as known in Romania). In the spirit of reducing the abyss between the fiscal organ and taxpayers, as well as from the desire of creating a legislative transparency and a taxation promotion as a source of financing their standard of living, the taxpayers are invited to a direct communication by technological means. The collaboration is of good omen for both parts, being the confrontation point of the fiscal mentality of the government and of the taxpayers.

Thus, the fiscal deciders have the possibility of mastering the behavioral psychology of the taxpayers, their manner of perceiving legislation and their necessities and problems.

The taxpayers have the possibility of asking for detailed explanations and discussing the issues encountered in their current activity.

The Romanian taxpayers, physical entities, were constrained, until the end of 2014, to personally go to the local national agencies for fiscal administration headquarters for obtaining fiscal information or in the view of handing in some fiscal documents. Starting with December 2nd, 2014, the Romanian taxpayers have access to the Private Virtual Space. It

represents an online service, by means of which the Romanian taxpayers can have access to fiscal information, but also to an assistance form by means of e-mail.

The private virtual space, for the present, constitutes an option and not an indispensability, initially being available only in Bucharest, then expanding to the level of the entire country. Thereby, the taxpayers can continue using the classic communication means with the revenue office: directly, at the counter, by post office, over the telephone or by fax.

The access of the Private Virtual Space presumes a previous registration on the National Agency for Fiscal Administration website, thereby, the informing becoming, to some extent, restricted. This is a technological application of a RSS⁸ type and it doesn't imply any costs. Thus, the communication channel between taxpayers and the agency is ensured both ways.

A matter is certain, and namely that there is a general desire for a better informing of the business environment and for a better communication with it. This desire also derives from the necessity of drawing in the foreign investors, these being the first ones that are unacquainted with the economical-accounting and financial legislation of Romania. The more rapid access to this sort of information confers a similarity to the stability of the European Union and of the entire world, thus making possible the comparison of the economic environment of Romania to the one of the foreign countries. Also, starting with the proper informing, decisions can be made and prognosis can be expanded.

Our study attempts a thoroughness of the perception manner of the modern and technologized informing by the Romanian taxpayers, their attitude regarding the new approach of the fiscal administration, but also the advantages and disadvantages of the implementation at this point, of this new informing manner.

2. Methodology

Starting from the idea that each scientific affirmation must have a logical reliance, and the empirical observation doesn't contradict reality, in this manuscript, we intend to utilize quantitative methods (such as questionnaires). The methodology consists in the non-participating scientific observation, in inductive methods, but also in economic synthesis.

3. The informing of the Romanian taxpayers

The informational system can be organized by a rectangular informing principle, a situation in which, on all the organizational levels, the same amount and kind of information are transmitted.

The informing of the Romanian taxpayers from a fiscal and legislative point of view was made, until recently, exclusively in the standard manner, at the methodology offices organized within the county administration of the Ministry of Public Finance. Herein, the taxpayers have, thenceforth, the possibility of the oral or written addressing of the questions wedded to fiscal and legislative issues. How many of us really had knowledge of these offices of how many would go to these offices to resolves their problems in this manner?

Thus, the lending of assistance to the taxpayers, from the point of view of the National Agency for Fiscal Administration, is ensured, in the first place, by the responses given to the written requests, by e-mail or by phone. The diversification of the manner of lending assistance to the taxpayers is intended to be a more efficient impartment of the good practices of the fiscal domain.

The interlinking of the taxpayer to the state has as a result the prefiguration of his perception on the efficiency of the fiscal policy. The quality of the taxpayers-governance interaction puts

⁸ RSS- a data formats family for the content and/or frequently updated web pages summaries, along with links to the comprehensive content of the pages and other metadata.

its mark on the fiscal conscientiousness of the ones that pay, as well as on the proper functioning of the fiscal organ of any state. Thus, we can claim that, if the Ministry of Public Finance and the National Agency for Fiscal Administration are the brains of the fiscal organ, the taxpayers are the heart, and the communication channel between the two parts represents the blood that sets in motion the involved authorities. The lack of an organ or of the blood will lead to the destruction of the fiscal agency.

The manner of remote conduction by electronic means between the National Agency for Fiscal Administration and self-employed individuals, is the object of the No. 1.154 ordinance from September 1st, 2014, and takes into account the following phases:

- a) The electronic identification devices of the self-employed individuals in the electronic environment;
- b) The report of the information and certificates through the “Private virtual space” and “Fiscal newsletter”;

Practically, the granting of the remote assistance services was accomplished in two steps:

1. The establishment of the legal communication framework between the National Agency for Fiscal Administration and the taxpayers (GEO 40/2014);
2. The establishment of the communication procedure between the National Agency for Fiscal Administration and taxpayers (PFMO 1154/2014).

The registration and approval process of the registration application in the mentioned electronic environment is granted after approximately 2 days from submitting the request.

Thus, the PFMO 1154/2014 offers the possibility of accessing the new National Agency for Fiscal Administration service by self-employed individuals through 2 means of identity certification:

- a) The identification with operative digital certificates (self-employed individuals that run economic activities independently or are freelancers, for the fiscal obligations for which, in the relationship with the fiscal authority, identify themselves through the fiscal registration code);
- b) Credentials such as name/password accompanied by one-times use authentication codes (self-employed individuals that run economic activities independently or are freelancers, for different fiscal obligations than the one provided before, other self-employed individuals).

The taxpayers that identify themselves through credentials such as user/password will have to also register on the website of the National Agency for Fiscal Administration (“Self-employed individuals registration”) for the ones that use digital certificates. This option involves the completion of a secure web page (https), having more fields, such as: name, surname, Social Security Number, the type of identity card, series, the number of the ID card, the cell phone number and the e-mail address.

The approval of the registration request offers the possibility of another option: its approval to the counter or online.

The helpful links that you should remember for accessing the free service offered by the National Agency for Fiscal Administration to the Romanian taxpayers are: “Registering users in the Private virtual space”, “Instructions for registering users (PDF format)”, “Instructions for registering users (Video format)”.

The report in question is subjected to some rules imposed by the National Agency for Fiscal Administration. Thus, “The virtual private space”, which, for now, is an option, provides taxpayers with a virtual communication space regarding their fiscal status. In this space, requests, certificated or other documents regarding other information necessary to the proper functioning of theirs, inclusively the legislative ones, can be addressed. Through the “Virtual private space”, the documents afferent to the fiscal status of the taxpayer (at the request of the taxpayer or automatically) are communicated, requests such as the appliance of the

legislation, taxation decisions, notifications, subpoenas, income statements, statements, fiscal and administrative documents, enforcement documents, the registry of the electronic documents, information regarding the activities' history. The report date is the date in which the registration on the National Agency for Fiscal Administration website was made.

The responses formulated by the clerks, at the requests of the taxpayers, in maximum 3 days from formulation, must be clear, precise, brief, objective, neutral and according to the in-force legislation.

The "Virtual private space" offers the perspective of transmitting notifications through a text message (the payment of their costs) and even the Talk application (for smartphones). For the present, the information are transmitted costless on the email of the taxpayer; when registering, you can opt for an informing by text message or Talk application, but the report through these two means is still developing. E-mail addresses belonging to yahoo cannot be used.

The legislative news, the guidance of the taxpayers towards respecting the fiscal obligations, are the main object of the "Fiscal newsletter" service. The access of the "Fiscal newsletter" service is accomplished by using the "RSS" command from the Ministry of Public Finances - National Agency for Fiscal Administration server, in the electronic application or in the internet browser of the user.

4. Strengths and weaknesses in the informing of the economic environment of Romania

"The virtual private space" is an electronic channel of costless electronic communication from the taxpayers to the National Agency for Fiscal Administration, but also from the revenue office to the taxpayer.

By the new procedure that is using electronic means of remote transmission, the online informing system is facilitated, and the Ministry of Public Finances want the users to be able to find out useful information any time they desire, without needing to go to an office or waiting in line at the local methodology offices. This initiative, although it was adopted recently, seems to be a good policy, used in the majority of the European countries. Thereby, the taxpayers arrived at the methodology office are fewer, and the informing phone calls are reduced, thereby, the public servants are also relieved and can focus on the online communication with them. Being about written responses and without being interrupted by phones or direct questions, the public servants from the taxpayers' assistance and methodology office can organize their work better and find the best and the most correct solutions to the questions addressed online.

The new service offer by the National Agency for Fiscal Administration offers, in the first place, an informing on the fiscal obligation of the taxpayer at any moment of the day, without the need to go to the fiscal organizations, as well as the view of the taxation decisions afferent to the previous years (momentarily, afferent to the year of 2013).

Also, adversarial situations that could be created through direct meetings, in the case of exigent individuals and even the institution of some long term collaboration relationships are avoided. The repetitive interactions of the taxpayers with the revenue office will lead to the determination of the fiscal conformation level.

By the rules imposed by the virtual private space, a polite, professional and high quality communication, a thorough analysis of the existing problems and not lastly, a use of civility are imposed. The permanent, optimum and with positive results communication can be the starting point of the disappearance of the antagonistic climate existent in Romania, namely of the lack of the mutual trust between the two parts.

The Romanian taxpayers regard the revenue office as policemen permanently searching for delinquents for giving fines or applying penalties. Thus, the taxpayers often hesitate when

formulating a question because they fear it will be the starting point in a future fiscal investigation.

The communication of the fiscal and administrative documents through electronic means avoid the need of going to a post office for picking up the mail in question. On these lines, the caution of the taxpayers for finding out late about the fiscal and administrative documents published on the virtual private space was manifested, therefore, after the possibility of disputing them. Also, the Ministry of Public Finances reduces its mail postage expenses (2,72 lei/envelope). For now, the online reception of these documents is optional, therefore, the fear of the taxpayers is not justified (at least, for now).

Even if on SPV, payments cannot be made, the information included in the documents displayed here, such as “the bill for the obligations” facilitate their effectuation. The bill can even be printed and submitted at the treasury to whom the taxpayer is ascribed.

“The virtual private space” is provided to the taxpayers costless, it being created by the Ministry of Public Finances’ experts. Its expansion will involve an improved structure of servers, which are owned by the Ministry of Public Finances, a matter possible in the future with the aid of the World Bank.

One of the SPV disadvantages regarding the payment obligations could be the presentation of their situation from the last day of the month previous to the one in which the request was formulated. Therefore, if within the current month, flows or accessories were instituted, they will be included in the solicitation of the following month.

Nor in the case of the solicitation of the “obligations bill, the sums are not registered at the date of their effectuation, but the obligations that already exist in the balance from the Friday previous to its effectuation are included.

Another temporary (current) constraint is the impossibility of registering, in the SPV, the individuals abroad that don’t have a Romanian cell phone number.

In the conditions of an electronic environment in which the majority of the users use yahoo, due to some technical difficulties, the Ministry of Public Finances exclude the emails that belong to the yahoo domain (@yahoo.)

The accessing of the “virtual private space” from the tablet or smartphone can be a problem, given that the Ministry of Public Finances uses, for identification, digital certificated issued by various certification authorities. Many times, these are not registered in the trusted systems managed by the operating systems used by the taxpayer. Also, for accessing the SPV from the tablet or smartphone, operating systems such as Google Android or Apple IOS are needed.

Some taxpayers avoid registering in the “virtual private space”, considering it a revenue office trap for the rapid report of the payment notifications and especially, of the documents afferent to the foreclosure (subpoenas, enforcements, deductions and so on).

5. Results, discussion, perspectives

The effectiveness of the fiscal administration assumes the minimization of the fiscal costs by assuring a balance between the sometimes excessive taxation and the fiscal ability of the entrepreneur, most of the times, justified (Mates, 2009)

The current informational approach represents a modern informative system and doesn’t imply other costs (such as the one implied when going to the fiscal organization of the economic agent). The Western Region of Romanian has operations across the European Union and business is becoming more global.

West Region of Romanian has operations across the European Union and business is becoming more global. The four counties composing the region registered increase even in the period of economic and financial crisis. According to the latest statistical data, supplied by

Eurostat, West Region is one of the strongest economic region in Romania, with a GDP of 51, 5 percent of EU average (Artene et al., 2015).

By analyzing the economic environment of the western Romania in terms of our study, we notice that a great part of the taxpayers from the urban area are supporters of this informing manner, already adopting the online informing, without any additional costs. In the rural environment, the situation is different, the majority of the economic agents not knowing about this possibility. An important problem of the rural area is the lack of computers, internet and informing possibilities.

If we speak about knowledge bound to the use of the computer, the ones of the urban area don't have any kind of difficulty in the electronic informing. Regarding the rural area, the informatics knowledge leave a lot to be desired. They need the involvement of an individual with computer knowledge. Also, the implementation by the National Agency for Fiscal Administration of the new informing system is confronted with the lack of confidence of the economic agents from the rural environment. Also, the lack of technological competency within the middle aged taxpayers is noticed, a fact that represents the main impediments in the accessing of the virtual information.

The taxpayers from the western area consider that the advantage of the new informational revolution consists in saving time and reducing the costs. A small percentage doesn't consider the new system so fascinating, either as a result of the conservative conception of interpersonal reaction, either due to the fact that they felt overcome by the changes.

The urban areas from the western region prefer the online informing, it being increasingly popular. Over 65% from the economic agents of the rural areas, being, by definition, a more conservative space, preferred the classic informing variant.

In the permanently changing environment, the timely and correct informing, within an economic and legislative environment that is permanently on the move, can determine value judgments regarding the existing risks.

The IT revolution determines the change in the professional training and facilitates the activity of the Romanian taxpayers. Even if, in the beginning, this revolution wasn't regarded with trust, due to the poor education in IT, finally, this new approach was a success.

The next step in the development of the communication channel between taxpayers and revenue office could be the accomplishment of the electronic payments systems of the fiscal taxes. The example of Singapore, which uses these systems, is observable, in this case, the revenue office being perceived as efficient by 90% of the taxpayers, and the accessibility of the fiscal information is raised, as is the level of confidence.

Also, in the spirit of the participative communication of the taxpayers to the fiscal policy of the state, the accomplishment of an electronic system of collecting fraud information and their rewarding with a share from the prejudices could be taken into account. For example, in the USA, the taxpayers that expose frauds are rewarded with 30% of the recovered value. This was also instituted in our country.

Practically, the discrepancy of the adhering to the "the virtual private space" between the rural and urban areas is the result of the social level, of the cultural and human development standards. In this context, the European programs that have financed education were convenient.

Thereby, we can state that the improvement of the communication between the National Agency for Fiscal Administration and taxpayers will be the result of the diminution of the social difference, of the cooperation, of the diminution of pressure and of the increase of mutual trust.

The facility in communication offered costless to the Romanian taxpayer can determine, in the long term, by addressing the numerous problems existent in the fiscal domain, the intimation of the revenue office on the complexity of the legislation and of its numerous

modifications. The interaction of these two parts, in the economic reality, has, as a result, the fiscal policy of the state.

Acknowledgement

This work was supported from the European Social Fund through Sectorial Operational Programme Human Resources Development 2007 – 2013, project number POSDRU/159/1.5/S/134197, project title “Performance and Excellence in Postdoctoral Research in Romanian Economics Science Domain”.

References

1. Artene A.E., Domil A.E., Domil M., Caraiman A., (2015) Considerations and Contributions Regarding the Sustainable Development of Economic Entities in the West Region of Romania in the Context of the Implementation of Ias 38, 10th International Conference “Economic Integrations, Competition and Cooperation”: Accession of the Western Balkan region to the European Union, Opatija, Croatia;
2. Mateş D.(2009), Contabilitatea evenimentelor și tranzacțiilor între standarde, directive și reglementări fiscale, Ed. Mirton, Timișoara, , pg. 22
3. Sabău C., Trif V., Artene A.E., Nagy C.M., (2011) Bazele contabilității, Ed. Eurostampa, Timișoara, pg. 21
4. Ordin nr. 1802 din 29 decembrie 2014 Partea I pentru aprobarea Reglementărilor contabile privind situațiile financiare anuale individuale și situațiile financiare anuale consolidate Monitorul Oficial, Partea I, nr. 963 din 30 decembrie 2014
5. Ordin nr. 1.154 din 1 septembrie 2014 privind Procedura de comunicare prin mijloace electronice de transmitere la distanță între Agenția Națională de Administrare Fiscală și persoanele fizice, Monitorul Oficial, Partea I, nr. 646 din 2 septembrie 2014 si care a
6. OUG nr. 40/2014 de modificare a Codului fiscal, publicata in Monitorul Oficial, Partea I, nr. 455 din 23 iunie 2014 .

HARMONIZATION OF BUSINESS ZAKAT AND TAXATION IN MALAYSIA

Zahri HAMAT

School of Social Sciences, Universiti Sains Malaysia, Minden, Penang, Malaysia

E-mail: zahri@usm.my

This paper aims to examine the relationship between business zakat and taxation in Malaysia according to the Income Tax Act 1967. In Malaysia, there are two method of business zakat accounting, namely, the adjusted working capital method and the adjusted growth capital method. Both method of business zakat accounting use the data from the balance sheet, whilst business taxation gains information from the income statement. One interesting point to ponder is, if the business zakat accounting depends on those method, how can entrepreneurs harmonize business zakat and income tax imposed on them? The findings revealed that entrepreneurs are allowed to use any method that fit with their types of businesses. Similarly, they can also use business zakat accounting method which is based on income for accessing the business zakat.

Keywords: harmonization, business zakat, taxation, working capital, growth capital

1. Introduction

Obligation of zakat on business is derived from the Qur'an and Sunnah of the Prophet Muhammad. Allah says, "O you who believe! Spend of the good things which you have earned..." (al-Baqarah, 2: 267). Imam al Tabari comments, "Pay *zakah* out of the good things you earn in your economic activity, such as business, industry, or gold and silver, "He also reports through several chains, from Mujahid, that the words "good things you have earned" means by making trade. Imam al Jassas, in his *Ahkam al Qur'an*, says "It is reported that a group of our predecessors explain God's words "good things you have earned" as through trade. These include al Hasan and Mujahid. Imam Abu Bakr Ibn al 'Arabi says that "Our scholars interpret the words of God 'that you have earned' as things earned by means of trade (Yusof al-Qaradawi 1999).

Abu Dawud reported from Samurah Ibn Jundub, "The Prophet used to order us to pay the *sadaqah* (zakat) on what we have prepared for the trade"⁹. There is also a report from Abu 'Amr Ibn Hammas, from his father, who said "Umar passed by me and said, 'Oh Hammas, pay of your possession (wealth)". I said, "I have nothing except hides and bags. He said, "Determine the price of these things and the pay their zakat" (Abu 'Ubayd 1991).

According to Mohamed Abdul Wahab et al. (1995), in Malaysia there are three methods of business zakat accounting which are being practiced in various states and institution in Malaysia. The first method comprises only the current assets, i.e. cash in hand, cash in banks,

⁹ Reported by al Daraquani, p.214, and Abu Dawud via Ja'far bin Sa'd from Khubaib Ibn Sulaiman bin Samurah from Samurah, Abu Dawud made no comment, nor did Al Mundhiri. See *Mukhtasar Al Sunan*, Vol. 2, p.175. Ibn al Humam says this means they approve the saying, as in *Al Mirqat*, Vol. 4, p.158, Multan Print. Ibn 'Abd al Barr grades it good. See *Nasb al Rayah*, Vol. 2, p. 376. Al Hafiz says in *Bulugh Al Maram*, p.124 that "its chain is soft." Ibn Hazm claims that Ja'far, Khubaib and Sulaiman are unknown. Ahmad Shakir writes in his footnote on p. 234, Vol. 5 of *al Muhalla* that "They are known, they are mentioned by Ibn Habban as among the trustworthy". Al Dhahabi quotes Ibn Al Qattan, the trustworthiness of either of them is not determined, in spite of efforts made by critics of hadith. This chain has a few other similarities in its vagueness. Abd al Haqq al Azdi says Khubaib is weak and Ja'far is not dependable. Anyhow this chain is dark and does not stand. See *Al Mizan*, Vol. 1, p.150 (see Yusof al-Qaradawi 1999).

accounts receivable, and stocks or inventory. Through this method, the value of stock is stated at cost as being practiced by the Bait-al-Mal of Perak, Kedah, Wilayah Persekutuan and other States. Nonetheless, successful efforts have been made by the authorities to streamline these methods. There are two methods that can be used, first is the growth capital method, and second is the working capital method.

The main objective of this paper is to explore the practices of business zakat accounting in Malaysia especially after the Department of Islamic Development Malaysia (JAKIM) published *Panduan Zakat di Malaysia* (Malaysia Zakat Guide) in the year 2001¹⁰. This paper also aims to harmonize the implementation of the current practices of business zakat accounting for tax deduction from the aggregate income of the business. Hence, the structure of this paper is as follows. Part 1 deals with the development of business accounting in Malaysia. Part 2 discusses the tax deduction for zakat on business income paid by companies. This paper concludes with Part 3, which examines the alternative business zakat accounting method that can be harmonized by the companies in the assessment of their business zakat.

2. Business Zakat Accounting in Malaysia

The original text on business zakat accounting has been identified to rely more on inventors or goods for trade. However, this premise is no longer undisputable since the scope of business zakat fundamental has been redefined by Muslim jurists. They have broadened the scope of goods for trade (*urud tijarah*) to working capital used in business operation.

Abu Ubayd reported from Maimun Ibn Mihran as saying, “At the time of your payment of zakat, estimate your cash and commercial good, determine the price of your commercial goods in cash, the remaining is your debts from your customers (with the opinion that it will be collected) and minus your own debt, and then pay zakat on the balance” (Abu Ubayd, 1991).

The second method consists of current asset and profit from investments. Two institutions, i.e Bait-al-Mal of Perlis and the Pilgrim Management Fund Board have been identified to practice this method which considers the stock value at the current market prices. The third method is the difference between current assets and current liabilities which called networking capital, and added to the profits for the year. This method is only adopted by Bank Islam Malaysia Berhad.

To be more specific, The Department of Islamic Development Malaysia (JAKIM) has published a book in the year 2001 entitled *Panduan Zakat di Malaysia*. According to this book, there are two recommended methods of business zakat accounting to be applied. The first method is *urfiyyah*. This method is also known as the adjusted growth capital which considers the equity of ownership in a particular company and other financial sources. The equation is as follows:

Equity + Long Term Equity – Fixed Asset – Non Current Asset +/- Adjustments

Second is the *syariyyah* method. This method is also called the adjusted working capital. It considers current assets and deducts current liabilities and the necessary adjustments by adding or deducting clarified items as given by this equation:

Current Asset – Liabilities +/- Adjustments

Differentiation of both methods can be demonstrated by the equation below:

Equity + Long Term Liabilities – Fixed Assets – Non Current Assets = Current Assets – Current Liabilities

¹⁰ Department of Islamic Development Malaysia (JAKIM) is a Malaysia Government institution which has a vision to assist in the creation of a progressive and morally upright *ummah* based on Islamic principles in line with the Malaysian vision through an efficient and effective Islamic Affairs Management organization.

Both methods have the same resulting answers which are derived from the same balance sheet. However, most of the states in Malaysia use adjusted working capital method. Being aware of this, three categories adjustment are needed. First is the deduction from current assets. In this case, non-permissible item, limited ownership and non-productive current assets are example of useful item to be considered.¹¹

Second is the addition to current assets. All donations for charitable purposes and purchases on fixed assets are done at the last quarter using internal and these items need to be added to current assets. Third is the addition to current liabilities. Current liabilities which can be deducted are only from operation in nature including trade creditors, operation payables such as salary, electricity, telephone and tax. Therefore, items such as non-operation procedure payable, dividend payable and overdraft are not allowed to be deducted and principally need to be added to current liabilities.

3. Business Zakat and Tax Deduction

Zakat on business income paid by the Labuan offshore companies has been given as an income tax rebate. This rebate is equivalent to the amount of business zakat paid to the religious authority. It is subject to a maximum of 3% of net profit or RM20,000 which effective from the assessment year of 2004. This practice is however not applicable to zakat on business income paid by other companies until assessment year of 2005. Thereof, zakat paid by companies is allowed as a deduction subject to a maximum of 2.5% of the aggregate income excluded zakat paid by cooperatives and trust bodies. In order to accord equal tax treatment between companies and trust bodies, zakat settled by cooperatives and trust bodies is also allowed as a tax deduction. It is effective from year of assessment 2007. This is to be effective via section 44 (11A) of the Income Tax Act 1967.

From the above discussion, it is shown that the data used for business zakat accounting method and business tax deduction is difference. Business zakat accounting uses data from the balance sheet,¹² while business tax deduction gained information from the income statement.¹³ In other word, those methods demonstrate none relationship between business zakat accounting method and tax on business income due to the different sources of information usage.

The arising question here is, if the business zakat accounting depends on those methods, do entrepreneurs get benefits from the tax deduction allowable to them? Principally, zakat is payable on the business irrespective of whether profit has been earned or unearned if the business has positive working capital. The entrepreneurs would not utilize their benefits in two situations. The first situation is when their business suffers a loss but still has a positive

¹¹ Detail items is, firstly, items that not zakat obligated - these items have to be withdrawn from zakat calculation such as items and non-permissible products i.e riba', gambling and liquor. Secondly, limited ownership – water, telephone, electrical and its similar kinds of deposit shall be deducted as it does not comply to the requirements of full rights. Thirdly, financial debtors - any loans will be imposed zakat on the debtor based on the criteria that full ownership of the asset is transferred to the debtor. The debtor has the authority and freedom to manage the money for any purpose to gain benefits from the loan. Fourthly, no item that will be imposed zakat twice – the dividend value that has been paid zakat by the investment company will be excluded. Fifthly, the current asset must be productive - bad debts, dormant stock, obvious downtrend and permanent must be deducted. Sixthly, charity-based funds - funds for the purpose of charity such as education that is located in the current assets will be exempted from zakat. Lastly, stock inventories – only finished products will be zakatable but raw materials and work in progress work will be exempted.

¹² A balance sheet is a snapshot of a business' financial condition at a specific moment in time, usually at the close of an accounting period. A balance sheet comprises assets, liabilities, and owners' or stockholders' equity.

¹³ An income statement, otherwise known as a profit and loss statement, is a summary of a company's profit or loss during any one given period of time. The income statement records all revenues for business during this given period, as well as the operating expenses for the business.

working capital. The second situation is when tax deduction is smaller than the amount of business zakat paid.

In this case, what modification or adjustment should be done? It actually requires the harmonization between fiqh and law that was currently practiced in Malaysia. According to the Mufti of the Selangor State Government, Islamic scholars should be opened to new interpretations and changes of the hokum made which were formulated by earlier scholars especially in matters related to zakat. In fact, any changes to the section 44(11A) of the Income Tax Act 1967 requires a lot of deliberations.

4. Zakat Accounting, Taxation and Malaysian Scholars

One of the options that could be done to harmonize business tax deduction and business zakat accounting method is to change the latter's method (Zahri Hamat 2013). To accomplish this task, twelve zakat scholars in Malaysia were selected as respondents (expert) representing the three categories for survey purpose. The first category is the jurist, the second category is the economist, and the third category is the practitioner. This survey is to seek experts' opinions on whether business zakat can be charged or not on business income. If the business zakat can be charged on business income, therefore, tax deduction can be utilized.

The findings showed all zakat scholars in Malaysia agreed that adjusted working capital was established based on the report by Maimun Ibn Mahran (Abu Ubayd 1991). They also agreed that this method should be used, however, other methods cannot be denied. In addition, they expressed the same opinion that business zakat accounting method should not be rigid, therefore, it could be changed according to the requirement of the current situation.

Furthermore, business zakat itself is quoted as general term in the Quran and Sunnah as argued by all Malaysian scholars. To them, since *business zakat* term in both Quran and Sunnah is considered non-specific explicitness, business zakat accounting is not rigid, thus it can be changed. This view is supported by the economist. He drew a specific comment as below:

Although we agree that adjusted business zakat accounting method should be used, but the scope of interpretation of goods for trade also is very broad. There must be a serious task should be taken for interpretation of the definition of good for trade.

Business zakat accounting is established on the basis of *ijtihad* as agreed by all scholars. They are in the same opinion that one of the alternatives is business zakat which can be charged on business income. In this case, according to the scholars, zakat on business income can be derived (*qiyas*) from zakat on agriculture yield. This opinion is in line with the affinity that business zakat accounting method can be changed according to the requirement of the current situation such as the conditions of economy and local law. For them, this is the one of highly recommended options in order to harmonize business zakat accounting method and business tax deduction currently practiced in Malaysia. Therefore, if the business zakat accounting relies on the income base, the entrepreneurs can fully get benefits from tax deduction allowable to them under the section 44(11A) of the Income Tax Act 1967.

5. Conclusion

Business zakat accounting is still a long way to arrive at consensus or agreement scholars and stakeholders (Abdul Ghafar Ismail, Achmad Tohirin & Muhammad Ali Jinnah Ahmad 2013). And in fact, this happens because business zakat accounting is established based on *ijtihad*. In Malaysia, the finding seems to demonstrate none relationship between business zakat accounting method and tax deduction allowable. It is because of the difference usage of data sources. On the top of that, entrepreneurs need to pay zakat on the business irrespective of whether a profit has been earned or not should the business possess positive working capital.

To harmonized business zakat accounting method and tax deduction allowable, the entrepreneurs are allowable to use any methods, either adjusted working capital or business income based. In the case of business operation running loss, entrepreneurs are recommended to use business income for their business zakat accounting as being practiced in Aceh Darussalam, Indonesia.

Acknowledgement

The author would like to express his appreciation to the Universiti Sains Malaysia (USM) for the funding of this research through Research University Grants (1002/PSOSIAL/910333).

References

1. Abu Ubayd al-Qasim b. Salam (1991). Translated by Noor Mohammad Ghiffari. *Kitab al-Amwal*, Pakistan Hijra Council, Islamabad.
2. Abdul Ghafar Ismail, Achmad Tohirin & Muhammad Ali Jinnah Ahmad (2013). *Debate on Policy Issues in the Field of Zakat on Islamic Bank Business*, Islamic Research and Training Institute (IRTI), Jeddah.
3. Department of Islamic Development Malaysia (JAKIM) (2001). *Panduan Zakat di Malaysia (Malaysia Zakat Guide)*, Jabatan Kemajuan Islam Malaysia, Kuala Lumpur.
4. Mohamed Abdul Wahab et al. (1995). *Malaysia (A Case Study of Zakah Management)*, in el-Ashker and Sirajul Haq (eds), *Institutional Framework of Zakah: Dimensions and Implications*, Islamic Research and Training Institute, Islamic Development Bank, Jeddah.
5. Yusuf al-Qaradawi (1999). Translated by Monzer Kahf. *Fiqh az-Zakat: A Comparative Study*, Dar Al Taqwa Ltd, London.
6. Zahri Hamat (2013). *Perakaunan Zakat Perniagaan di Malaysia (Business Zakat Accounting in Malaysia)*, Dewan Bahasa dan Pustaka, Kuala Lumpur.

PRELIMINARIES AND EXPECTED CONSEQUENCES OF THE CHANGES IN THE EU BANKING REGULATION

Zsófia KENESEY¹, Márta NAGYNÉ SASVÁRI², László PATAKI^{3,4}, Rita Anna AMBRUS⁵

^{1,2,3,5}University of West Hungary Faculty of Economics, Sopron, Hungary

⁴Szent István University, Faculty of Economics and Social Sciences, Gödöllő, Hungary

E-mail: zsofi890819@gmail.com

Summary: The crisis in 2008 resulted in significant changes in banking regulation just as in all fields of economy. The business activities of the greatest banks encompass the whole world. It is not easy to follow these complex connections and to observe the regulations. The infectious effect of the systematically important financial institutions (SIFIs) may endanger the whole bank system. Such banks are able to drag down even the economies of the countries in which they operate. This is why it is important to apply more stringent regulations to banks than to other businesses. The Basel rules, the latest EU regulations and the bank union itself have been created also for this purpose. In our study, we shall present changes in the field of the EU bank regulation, which tends to become rule-based rather than risk-based. We discuss how the latest regulations shape the operation of the sector. Naturally, there are opponents to bank regulation. The so-called free banking means, in fact, that the regulation of the banks is based on the market, the managers are aware of the risks they take, and therefore they are able to react to the economic shocks in due time, and ultimately, they take it for granted when they are bailed out by the central bank which supports them. Nevertheless, bank regulation has been continuously developing and supplemented with new elements in the recent years. And experiences show that such a regulation is really necessary.

Keywords: banking regulation, SIFIs, bank union, free banking

1. Importance of Banking Regulation in the European Union

The various financial institutions, including banks, insurance companies, institutional investors, are closely related. The banks get close to the operators of the financial life via the various payment systems, and therefore if a bank has liquidity problems and subsequently becomes insolvent (on a long term) then it will affect all institutions being in connection with it. This is called an infection effect when the problem causes a severe crisis in the whole financial system, which means that much more stringent rules should be applicable to the financial institutions than to traditional businesses.

We would believe that the necessity of banking regulation is clear, however, even economic specialists do not agree in this matter. Many refer to the significant costs of state interventions which are financed from the taxpayers' money in the case of a bankruptcy. At the same time, on the basis of so-called free banking, banks should operate on the basis of the regulatory mechanism of market, as in the case of other business, which would result in much less costs.

“Free banking is, in fact, a limited presence or even lack of banking regulation; money creation, more closely its regulation or non-regulation is decisive within regulation. This approach questions the necessity of central banks and is based on absolutely proper decisions of the banks, the full applicability of the *laissez-faire* principle.” (Zsolnai, 2012, p.213)

In our opinion, the managers of the financial institutions are fully aware of the extent of the risks assumed by them. They know that keeping of the confidence of depositors is the most

important task, and therefore they spend much on protection against the occurrence of unfavourable events.

The Union's banking regulation contains guidelines and regulations. The member states have to transpose the guidelines into their national legal framework, while the regulations are mandatory for all countries.

The banking regulation within the Union has been divided into two parts until now:

- the regulatory level of the national authorities which regulates the operation of the financial institutions in accordance with the national specificities in all countries, and
- the directives of the European Union, which are mandatory but are transposed by the countries into their own legal framework in accordance with the national specificities.

The Single Rulebook is intended to change this division by providing uniform rules in each member state by means of regulations and standards issued by the European Banking Authority (EBA). The Single Rulebook sets capital requirements for the banks, provides a higher level of protection for depositors, and helps to prevent bankruptcy situations and to manage bankrupted banks. From 2015, the banks must publish their data (Kiss, 2014).

Basel III was published in 2009 and finalised in September 2010, which contains significant changes, in particular, in the solvency margin elements. All G20 countries recognise it as binding, i.e. it is created as a global standard (Szombati, 2012, p.33). The regulation introduces the term of leverage ratio which is the ratio of the common equity and all exposures. The specified value is 3%, which must be reached from 2018.

The Basel Committee on Banking Supervision has worked out quality and quantity indexes to qualify the global systematically important banks (GSIBs). These banks were classified into five groups on the basis of their systemic risk effects, and surplus capital requirements were assigned to the individual categories (2.5% as the highest) the adherence to which gradually becomes compulsory between 2016 and 2019 (Mérő, 2011, p.8.).

The introduction of new indexes is the greatest change, since the previous Basel directives did not contain requirements for the liquidity levels of the banks.

In accordance with the first proposal, the banks have to possess liquid financial assets for at least 30 days. The LCR (liquidity coverage ratio) is an index necessary for its calculation. It was introduced in 2015, which means that 60% of the assets of the banks have to be liquid assets good enough to be involved in crisis management for 30 days. This value has to be increased by 10% per year in order to reach 100% by 2019.

In accordance with the second proposal, the bank's balance structure must allow independent operation on a long term, i.e. the permanent sources must exceed the rate of liquid sources. It is calculated with the NSFR (net stable funding ratio) index, and it is planned to be introduced in 2018.

In the recent years, most of the rules have become less significant due to the liberalisation of the financial markets, globalisation, the free capital flow within the European Union. By now, the geographic limitation of opening of a bank has been terminated, resulting in a much less transparent system. The regulation tends to move from risk base regulation to rule base regulation in the whole world, and is supplemented with the regulation of system risks. This will rearrange the relations between the states and banks, the European Central Bank and other Union institutions as well as the member states of the euro zone and non-euro zone Union countries.

2. Micro- and Macroprudential Regulation, System Risk in the Banking sector

The necessity of micro- and mainly macroprudential regulation has an increasing priority at international level. The first is intended to protect the depositors and to reduce the probability

of occurrence of bankruptcies. While the macroprudential regulation is intended to minimise large scale system level risks.

The attention to the lack of the macroprudential regulation of banks was called by the financial crisis. In the narrow sense, system risk means that a specific event affecting first only a narrow part of the economy adversely influences also other economic fields after a while. In its broadest sense, the event has a severe effect on several institutions and markets. The event is weak if no institution goes bankrupt as a result of the shock. It is strong if even only one institution goes bankrupt, which could not have happened without the shock (Lublóy, 2003, p. 78).

There are two types of risks in the case of banks. The individual risks affect only the bank concerned, while the system level risk has an influence on the financial system as a whole and thereby also on the whole economy. Such economic operators are called Systematically Important Financial Institution (SIFI).

Today, new terms appear in connection with this topic. The principle of “too big to fail” is replaced by the principle of “too big to save” to an increasing extent, that is the most giant banks are now too big to save. Banking regulation has moved into this direction. The economic capacities of the countries do not allow them to allocate enormous amounts to the saving of financial institutions and thereby to risk the stability of the country.

The global systemically important banks (GSIB) having the largest assets in the world. Based on the report of November 2014 of the Financial Stability Board, 31 such banks operate currently in the world. There are four Chinese banks and one Japanese bank among the first 10 ones. The first ICBC was only the 32nd on the list in 2004, and was already among the 10 best ones from 2006, and became the first one from 2013. Though the seat of the third largest HSBC Holdings is in the United Kingdom, most of its incomes come from the Asian market. JP Morgan Chase is the largest bank in the United States. In addition to them, the top ten include the French BNP Paribas, Credit Agricole and the English Barclays (Realbank, Economy Watch, 2014.).

Compared to their GDPs of the countries, the European banking system is larger than the American one. The balance sheet totals of the large European banks are not high compared to the European GDP, but are enormous compared to the national incomes of their own countries.

The GDPs of China, US and Japan are enormous, and the balance sheet totals of the banks are insignificant compared to these values. However, the difference between the assets of the largest European banks and the GDPs of their home countries is not so significant at all.

In 2014 the English HSBC Holdings was the greatest bank in Europe. The 8th largest bank, Banco Santander had assets exceeding the GDP of Spain.

Among the 10 largest European banks, 4 are located in the United Kingdom, 4 in France, 1 in Germany and 1 in Spain. In 2014, the balance sheet totals of all banks exceeded 50% of the GDPs of the countries where they had their seats, and 7 banks had assets exceeding 10% of the GDP of the EU (Realbank, Economy Watch, 2014.).

It is still not clear for the decision makers of the EU what will happen to those TBTF banks that are too big to save. The separation of the classical and commercial activities of the banks has been recommended to solve this problem, on which discussions are being held.

3. New Regulatory Framework: the European Bank Union

The bank union is part of an integrated financial framework, and is also a response to the financial and economic crisis, which was specified when it became clear that an intensive reform was needed to eliminate the regulatory and supervisory deficiencies. The bank union is based on three pillars.

The single supervisory mechanism (SSM) considered the first pillar of the bank union was assigned to the scope of the European Central Bank from 1 November 2014. It means, in fact, the supervision over commercial banks belonging to the euro zone is assigned to the scope of the ECB. This means currently 124 banks and more than 80% of the assets. Banks managing financial assets above 30 billion euro or having assets above 20% of their country's GDP are under control. Based on the Union's stress test made in October 2014, OTP Bank meets this condition in Hungary. In 2014, 76% of the bank deposits available in the European Union were owned by banks seated in the euro zone, and this is one of the reasons a more intensive supervision is reasonable (EBF, 2014, p.18.).

The second pillar, the single resolution mechanism means, in fact, that banks close to bankruptcy are not saved from the money of taxpayers, but the responsibility must be assumed by their shareholders and creditors. The single resolution panel on which the single resolution mechanism (SRM) is based started to operate in Brussels on 1 January 2015. In all Union countries, national resolution funds have to be created, and from January 2016, these will be replaced with a single restoration fund, and from that time the banks will pay 1% of the secured deposits into it. The estimated amount of the paid contributions will be EUR 55 billion by the end of the period, i.e. 2022, or even higher if non-euro zone countries also join meanwhile.

The deposit guarantee scheme (DGS) is an important element of the bank union, since with its rules it may contribute to the restoration of the confidence of depositors in the financial institutions. In April 2014, the latest decision on the regulation of the third pillar was made, which must be transposed by the member states into their practice by 3 July 2015. It is a new element that the credit institutions must pay a fee on deposits subject to compensation obligation by 31 December preceding the subject year. Bonds and deposit certificates issued by the credit institutions are removed from elements protected by deposit guarantors, but from now a compensation limit of EUR 100,000 is applicable to community deposits, and local governments with budgets less than EUR 500,000 are protected by deposit guarantors. Now, 20 banking days are available for payments, but in accordance with the Union's requirements, this period must be gradually limited to 7 banking days until 2024.

Currently 19 euro zone countries are members of the bank union. The remaining 9 countries have different opinions on joining. Since the idea of the single supervision, Great Britain has been emphasising that they do not want to expose their banks to control by the ECB due to its special situation in the financial sector. Sweden has a similar viewpoint. 3 Union countries, Denmark, Romania and Bulgaria are for joining, but have not yet indicated their intention. Our country, the Czech Republic, Poland and Croatia joining in 2015 are currently waiting.

The formation of the system has been preceded by a long process, as nearly 8 years have passed since the crisis. The bank union will surely be in the focus of discussions between the decision-makers for a long time, as certain rules will be introduced with periods of grace, and the EU countries will gradually join, i.e. the final formation of the bank union will last for several years. Though none of the countries wants it, but the operability of the system could possibly be evaluated and really studied in another crisis.

4. Conclusions

The quantitative regulation characteristic of the 70s has been replaced with risk based approaches by now, i.e. the economic importance of the banks depends not only on the volume of deposits but also on the risks entailed by them.

Safe operation of the banks is in the interest of all operators of economy. Prudent operation is important due to the increase of deposits primarily from the aspect of the inhabitants, which finally affects consumption, production and ultimately the economy as a whole.

The major problem with state assistance is that they use the money of taxpayers to bail out banks instead of spending money on the creation of proper protection systems and using the money first of all of shareholders and creditors to solve the problem. Today, large banks expect the state to bail them out, and therefore they are inclined to invest the savings of people in assets involving high risks. This way of thinking endangers the operation on the economy. The crisis of 2008 has called the attention to the deficiencies in the banking regulation and to the resulting problems. Due to the complexity of connections and to the risk of any negative consequence's becoming an international one, it is difficult but indispensable to find a proper solution which may result even in additional expansion of banking regulation at international level.

References

1. Economy Watch (2014): Economic Statistics by Country http://www.economywatch.com/economic-statistics/economic-indicators/GDP_Current_Prices_US_Dollars/ Date of downloading: 15 April 2015
2. European Banking Federation EBF (2014): European Banking Sector Facts & Figures <http://www.ebf-fbe.eu/publications/statistics/> Date of downloading: 3 April 2015
3. Financial Stability Board (2014): 2014 update of list of global systemically important banks (G-SIBs) <http://www.financialstabilityboard.org/2014/11/2014-update-of-list-of-global-systemically-important-banks/> Date of downloading: 2 April 2015
4. Kiss A. (2014): A Bázeli III. és az Európai Unió <http://www.corvinusembassy.com/ep/?page=2&article=2&show=135> Date of downloading: 15 April 2015
5. Lublőy Á. (2003): Rendszerkockázat a bankszektorban. Hitelintézetiszemle 2003. 2. évf. 4. számpp 69-90 <http://www.bankszovetseg.hu/wp-content/uploads/2012/10/034Lublőy.pdf> Date of downloading: 22 March 2015
6. Mérő K. (2012): Egy paradigma születése és bukása A „túlnagy a csódhöz” elv értelmezésének és alkalmazásának változásai <http://econ.core.hu/file/download/vesz2012/tulnagyacsodhoz.pdf> Date of downloading: 5 March 2015
7. Realbank website: World's largest banks 2014. <http://www.relbanks.com/worlds-top-banks/assets> Date of downloading: 15 April 2015
8. Szombati A. (2010): Bázeli III rendszerszintű hatásai itthon és Európában. MNB Szemle http://www.mnb.hu/Root/Dokumentumtar/MNB/Kiadvanyok/mnbhu_mnbszemle/mnbhu_msz_201012/szombati.pdf Date of downloading: 5 March 2015
9. Zsolnai A. (2012): A banki tőkekövetelményi szabályozás jellegzetességei, háttere és nehézségei <http://www.asz.hu/penzugyi-szemle-cikkek/2012/a-banki-tokekovetelmenyi-szabalyozas-jellegzetessegei-hattere-es-nehezsegei/213-225-zsolnaia.pdf> Date of downloading: 8 April 2015

COMPETITIVENESS OF THE CAR TRADERS IN HUNGARY AFTER THE ECONOMIC CRISIS

Beatrix HORÁNYI, Olga MARKÓ

Szent István University, Faculty of Economics and Social Sciences

E-mail: horanyi.beatrix@gtk.szie.hu

Summary: The role of automotive industry in the economic life is beyond dispute. It has decisive significance on the field of employment, export, research and development and innovation as well. Its increasing relevance had already been perceptible following the change of regime, and has been even more conspicuous since the turn of the millennium.

Beside the real estate market, the automobile market bore the biggest loss both on national and European level as the economic crisis of 2008 has emerged, which originates in the vast amount of credit purchases. However this is not the only reason of the drop of sale indicators. There are many factors which have been influencing the automotive industry unto this day, and difficulties occurred within the sector, yet before the crisis began. One of the indispensable conditions of the development is the convenient regulatory background. As for the automotive industry, it is one of the most regulated sectors, it changes constantly, meanwhile the diverse regulations result in tight competitiveness. The enterprises operating in the car industry have to adjust to this changing environment and their subsistence and development depends on the ability of doing so.

In our publication we seek to resume the results of the first phase of a national survey. We started our research by collecting secondary data in order to present the role and relevance of the Hungarian and European automotive industry. In addition, our aim was to examine how the economic crisis affected the competitiveness of the sector in question.

Key words: economic crisis, car traders, competitiveness

1. Situation of the automotive industry and its importance

The automotive industry is an integral part of the economy, so its importance is indisputable in EU and national relation as well. More than 260 million cars travelling the roads of Europe and nearly 7% of them are new vehicles under one year old.

It has significant role on the field of employment, since more than 12 million families depend on this industry for their livelihood. 30% of new cars are made in the EU. The essentially production-based automotive industry becomes increasingly knowledge-based sector where the manufacturers are spending € 20 billion a year for R & D activities.

The automotive industry also plays a prominent role both in employment and exports, as well as in research and development and innovation. For the maintenance and development of the industry appropriate regulations are essential. With more than 80 policies and 115 regulations, the automotive industry belongs to the most regulated sectors of the EU (ACEA 2010).

The European Commission (2014) identified the following objectives in connection with the automotive industry:

1. “To strengthen the competitiveness of the automotive industry

The aim is to identify and assess policy issues of significant importance to the competitiveness of the EU automotive industry and to suggest solutions that take into consideration economic, social and environmental objectives.

2. To complete, adapt and simplify the Internal Market regulatory framework

The work on improving the Internal Market is built upon the introduction of the EC Whole Vehicle Type-Approval System which allows manufacturers to have a vehicle "type" approved in one Member State and then be able to market the vehicle in all other Member States without further tests.

3. To promote globalisation of the technical regulatory framework through UNECE Global technical harmonisation is a key factor in strengthening the competitiveness of the European automotive industry world-wide. The EU is a Contracting Party to two agreements of the United Nations Economic Commission for Europe (UNECE): the 1958 Agreement on Uniform Technical Prescriptions for Vehicles, and the Global Agreement of 1998.” By the middle of the 90’s following the political transformation, Suzuki, Opel and also AUDI settled down in Hungary, which give the largest proportion of the production even now. (Kemenczei 2010) The significance of the Hungarian machine and vehicle industry are growing continuously since the turn of the millennium, although the crisis had a considerable effect on these industrial branches.

2. Effects of economic crisis to the automotive industry

One of the largest losers of the economic crisis started in 2008 was the passenger car market. Decrease of financing possibilities were caused also by the drastic decrease of liquidity, as the consequence of it the population mostly postponed the purchase of cars. At the same time, independently from the crisis, difficulties came forward already before 2008 in the automotive industry. Markets started to become saturated, capacity excess came forward, people bought on credit, and the demand grew rather continually towards the energy more saving cars. (Antalóczy – Sass 2011) The government of more countries introduced the so-called wreck program, in case replacing the old, polluting, not energy saving cars and at the same time purchasing of a new car customers received support (OECD 2010).

Due to this the car realizations rose back onto the level before the crisis in more countries.

It was another important measure that they tried with different discriminative steps for example to ban the polluter cars from certain quarters, thereby increase the mood for buying new cars. (National Employment Service 2010)

Ernst & Young car industrial analysis in 2010 managed to get onto that result, that the Central and Eastern European countries' motor industry felt the effect of the crisis less. In these countries mainly small cars are produced, for which the demand did not fall significantly in the past years, during the crisis, although decrease shown on the largest market player's Suzuki's selling indicators. Crisis had also huge affects on AUDI as the largest exporter. On one hand it comes from the premium category role of AUDI and on the other hand, that the target countries of the engines produced in Hungary primarily belongs to European regions hit by crisis. (Demeter 2010)

On the Automotive Hungary 2013 – International Trade Exhibition for Automotive Industry Suppliers Csaba Kilián (CEO of AHAI¹⁴) said, that the automotive industry is the fastest improving sector of the Hungarian economy and it went through in a quantitative and qualitative leap and into which more than 4 billion Euros of working capital arrived in the last 5 years. (MTI 2013)

2.1 Effect of the crisis onto the realization of new cars

We have already mentioned in the previous chapter that the automotive industry got into an increasingly heavier situation in the years before the crisis. Markets started to become saturated, which has the consequence that capacity excess appeared and besides this people

¹⁴ Association of the Hungarian Automotive Industry

rather bought on credit. (Antalóczy – Sass 2011) Following the 2005 selling peak from 2006 decreases started appearing in turnover, although between 2006 and 2008 nearly 200.000 more cars were sold on the domestic market, than as much the purchasing power would justify. The realization of new cars attained with nearly 6 % decline the 176.978 in 2007, and with a 10 % decline in 2008 already the 160.000 were not reached in Hungary. (Automotive Industrial Advisor Cluster 2009) By 2009 that number dropped back with more than 100.000, it exceeded just the 60.000, which meant 60% decrease. (Automotive Industrial Advisor Cluster 2010)

According to HAAD (Hungarian Association of Automobile Dealers) the crisis made his effect even harder, that the wreck premium system were not introduced in Hungary, the VAT was increased and apart from this car dealers were not allowed to apply for a job-maintaining application any more. (Management Forum 2009)

The 1st table shows the putting motor vehicles into traffic according to vehicle types in the last three years.

Table 1: Putting new motor vehicles into traffic 2011-2013

	2011	2012	2013
Car	45106	53057	56140
Light Commercial Vehicle	11437	10901	11416
Bus	152	54	432
Heavy Commercial Vehicle	4316	4157	4991
Motorbike	1956	1799	1896
Total	62967	69968	74875

Source: HAAD, 2013

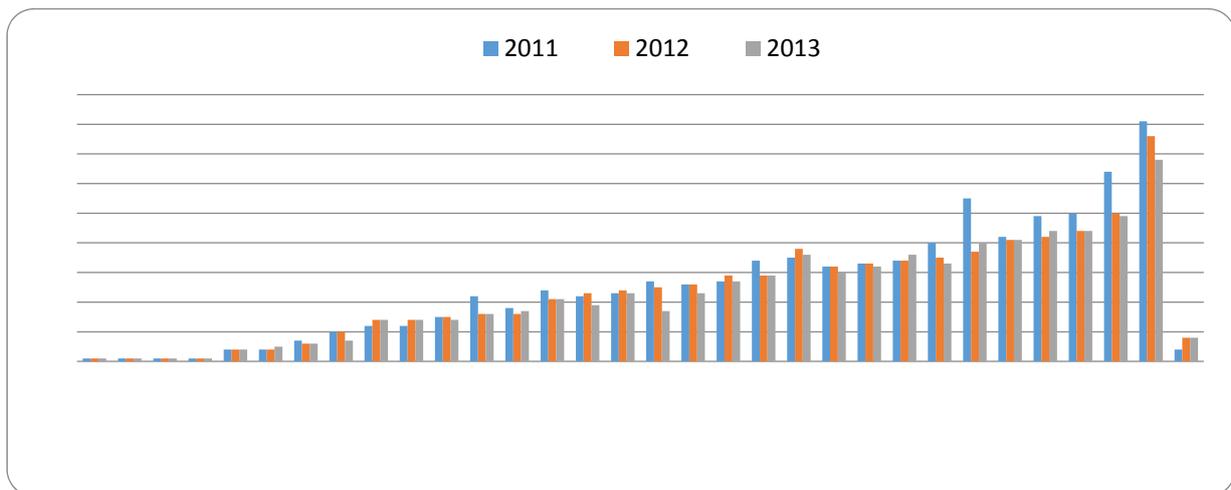
In 2011 45.106 pieces of new passenger car were put into traffic, which is 3,7 percentages more than in the year before. The number of all of the new vehicles increased by 9,1 percentages in 2011, nearly to 63.000 (HVG 2012a). In the table it is also observable, that 25% more new passenger cars were put into traffic in 2013 than in 2011.

According to the different researches done in last years, considerable changes in the automotive industry can be expected only after 2014, since the results show that different tax changes (personal income tax and corporation tax) neither proved to be fruitful properly in the promoting of the realization. (HVG 2012b)

3. Situation of Hungarian car dealers after the crisis

HAAD in 2013, as in each year, prepared the mapping of the Hungarian car dealers' state. According to that it can be say that no one left the market and new car brand did not appear on the Hungarian market in the last two years. In our survey a car dealer is considered as one business unit, although there one or more car brands might be on sale. In one car showroom different brands may be sold, so it is possible, that one company is dealing with more car brands in more car showrooms, even so they represent one trading unit. On the other hand, if a company has more locations, it will represent more business units even if they are dealing with only one car brand, since the company continues the car dealer activity in separate car showrooms. According to the above mentioned the number of car dealers were 448 in 2013, which is 4% less than in 2012. "Number of car showrooms was 785 in 2011, which reduced to 750 in 2012. In 2013 732 showrooms can be counted throughout the country." (HAAD 2013)

Figure 1: Number of car showrooms and their change per car brands 2011-2013



Source: HAAD, 2013

On the diagram it can be seen, that there was a decrease in the number of car showrooms in case of Suzuki, Opel, Renault, Ford, Chevrolet, Fiat, Peugeot, Seat and Mazda, while in case of AUDI and BMW considered as luxury categories an increase can be observed, such as by SSangyong, which counts as a new player in the market.

In the first phase of our research we tried to present the significance of automotive industry, its situation and the effect of the crisis based on secondary data.

We set it as an aim in our following examination to reveal that what kind of factors and how they influence the competitiveness of car dealers after the crisis. Further we would like to examine what kind of opportunities stood for the compensation of the effects of the crisis for car dealers, which ones were the necessary changes to which they were bound in order to survive. We are curious about the fact that how survivor car dealers see the future of the industry and their own company.

References

1. Automotive Industrial Advisor Cluster (2009): Hungarian car industry is still in bankruptcy, <http://www.autoipari-klaszter.hu/2009/10/06/meg-mindig-csodben-a-magyarorszagi-autoipar>, Retrieved: February 2014.
2. Automotive Industrial Advisor Cluster (2010): 60% less cars were sold than last year, <http://www.autoipari-klaszter.hu/2010/01/05/hatvan-szazalekkal-kevesebb-autot-vettunk-tavaly/>, Retrieved: February 2014.
3. Antalóczy K., Sass M. (2011): Escaping Ahead Against Crisis Management, *Külgazdaság LV. year, 2011.may.-june.*, pp. 31.-63.
4. ACEA (2010): *Cars, Trucks and The Environment*, http://www.acea.be/images/uploads/files/20100309_Brochure_Cars_Trucks_and_the_Environment.pdf. Retrieved: January 2014.
5. Demeter K. (2010): Why there will be no fast recovery in the car industry?, <http://www.vg.hu/vallalatok/ipar/miert-nem-lesz-gyors-a-kilabalas-az-autoiparban-326069> Retrieved: January 2014.
6. European Commission (2014): Enterprise and Industry, Automobile Industry, http://ec.europa.eu/enterprise/sectors/automotive/index_hu.htm Retrieved: April 2015.

7. National Employment Service (2010): Trends of the car industry around the world and in Hungary, http://vallalkozas.munka.hu/c/document_library/get_file?uuid=dc76b74b-f18f-477f-8ab1-86fd2b0857a2&groupId=60592 Retrieved: January 2014.
8. Hungarian Association of Automobile Dealers (2013): Report on car dealers in Hungary, 2013
http://www.gemosz.hu/userfiles/file/sajt%C3%B3anyag_felm%C3%A9r%C3%A9s%20a%20m%C3%A1rkakeresked%C3%A9sek%20sz%C3%A1m%C3%A1r%C3%B3l.doc, Retrieved: March 2014.
9. HVG (2012a): Number of new cars increased by 20%
http://hvg.hu/kkv/20120301_uj_autok_magyarorszagon_datahouse, Retrieved: March 2014.
10. HVG (2012b): Hungarian car market is lagging behind
http://hvg.hu/cegauto/20120523_pwc_magyar_autopiac, Retrieved: March 2014.
11. Kemenczei N. (2010): What is the Direction of the Hungarian Automobile Industry? External Economy, LIV.year , 2010. March–April, pp.: 63–80.
12. Management Forum (2009): Car dealers are grieving
http://www.mfor.hu/cikkek/Gyaszolnak_az_autokereskedok.html Retrieved: February 2014.
13. MTI (2013): The Hungarian automobile industry is thrive well,
http://www.portfolio.hu/gazdasag/jol_huz_a_magyar_autoipar.191416.html Retrieved: January 2014.
14. OECD (2010): *The Automobile industry in and beyond the crisis*,
<http://www.oecd.org/eco/outlook/44089863.pdf> Retrieved: January 2014.

INTERGENERATIONAL RELATIONS IN CONTEMPORARY ORGANIZATION

Marta ZAJĄC

Częstochowa University of Technology, Częstochowa, Poland

mart.zajac@gmail.com

Summary: This article is a review of literature and secondary research about significance of interpersonal relations in contemporary organizations. Particular attention was paid to intergenerational relationships within the organization.

The aim of the study is the characterization of the generation and attempt to determine the factors that have an influence on the relations shaping between employees in various age (with particular emphasis on the role which, in this context, the manager can be in charge) in organization.

Keywords: generation, the organization, the relations in organization, the diversity of age

1. Introduction

The organization – defined as "a group of people who work together in an orderly and coordinated manner to achieve a set of goals" (Griffin 1996) – could not exist, grow and achieve the desired results without the commitment and efficient work by employees. All employees (along with their creativity, innovation, hard work and dedication) form an organization. For this reason, nowadays it is believed that people are the most important capital of organization, and successful HRM (Human Resource Management) (Bylok, 2009), or MCM (Human Capital Management) (Lipka, 2011) can decide about competitive advantages of the organization in the market. Efficiency of employees and consequently also the organization depends on various factors. It is pointed out that one of them is the atmosphere in the workplace (including the corresponding interpersonal relations).

In recent times, the issue of creating relations in the organization is becoming more and more important. This is caused inter alia through progressive demographic changes (and consequently increasing generational diversity in the organization); the nature of work changes (e.g. remote work, flexible and short-term contracts), as well as progress of technology (that affects the type and method of communication) etc. Therefore, before the contemporary managers there are many challenges connected with creating the atmosphere and positive relations inside and outside the organization. Relationships in the workplace depend on many factors and may impact on the functioning and development of the organization. This article is a review of literature and secondary research and aims to identify the factors influencing the creation of a relations in the organization (in particular among people in different age).

2. Significance of interpersonal relations in contemporary organizations

According to the study by Glińska-Noweś, Kalińska and Karaś (2014,): positive interpersonal relationships between employees have a significant impact on the development of the company. The detailed conclusions of this research indicate that: "state of interpersonal relations in teams of employees translates into the relations between the teams in the company, which has an impact on the enterprise development". Moreover, the development of company also fosters the situation in which employees like each other; when employees can

count on each other and when they show acceptance and respect themselves. Positive relationships in workgroup and good relations between groups of employees could be achieved by building an appropriate organizational culture and a climate conducive to creating positive relations within the organization.

Simultaneously it should be mentioned that the issue of working environment has a significant impact on job satisfaction of employees and their motivation to work. Research conducted by Smolarek (2013) indicated that the most important factors which determine the attractiveness of jobs is the working atmosphere (this was stated by more than 55% of employees). Such requests were also confirmed by other studies (e.g. Wziątek- Staśko 2014).

Moreover, according the Nowotarska-Romaniak research (2009, p. 72). the most important factors affecting the atmosphere at work include relationships with colleagues (69%), financial conditions and mutual respect (by 61 %) and relations with superior (59 %.) It confirms that relations at work are an important factor affecting the functioning and development of contemporary organizations.

Creating and managing relations within the organization (as between employees, groups of employees as well as employees - employers) therefore constitutes a challenge to managers who should take into account in this process ever-increasing diversity of employees. In particular, differentiation of employees with respect to their age seems to be very important.

3. Relations between different generations in organization

Demographic changes associated with the ageing population and age structure of employees changes are conducive to age diversity of employees in the organization. At present it often happens that in one organization (and in one team of employees inside organization) representatives of different generations work together: baby - boomers (BB, born between 1949-1963); generation X (born between 1964-1979) and generation Y (born between 1980-1994) (Baran and Kłos, 2014).

This situation could have an impact on the creation of a relations and atmosphere at work. Of course, generational differentiation can bring many benefits to the organization, as demonstrated by both employers and employees. Managers underlined that the biggest advantage is mainly the possibility of knowledge- sharing (55%). What is interesting, employees identified more benefits of working with colleagues of different ages, namely: having different perspectives (72%), knowledge-sharing (66%), new ideas (41%) and improved the problem-solving (32%). (Chartered Institute of Personnel and Development 2014 p.11). On the other hand generational differentiation could be cause of misunderstanding between people in organization. The same research shows that the most important challenges of working with colleagues of different ages, from the point of employees view are the lack of shared interests (32%), misunderstandings (29%), lack of shared values (28%), potential for disruptive conflict (22%). Importantly, employers mainly said that there are no challenges (17%), then underlined such points: age stereotyping (16%), internal progression/succession planning problems (16%) and lack of shared values (15%). This indicates that in practice there could be some misunderstandings between the different generations in the organization (which, to a greater extent, is noticed by employees rather than managers) and managing of age diversity team could be major challenge for mangers, who must be prepared to this. Otherwise, intergenerational diversity can be a source of problems and conflicts in organization, which negatively affects the atmosphere and relationships at work. Meanwhile, good relations between the generations in organization seem to be very significant in the context of the knowledge- sharing. Słocińska's survey show that elder employees (who have a lot of valuable knowledge) "more often declare they do not share knowledge as they afraid of

being dismissed“ (2013). This may be related to a lack of trust, bad atmosphere and animosity in organization.

Moreover, it should be noted that it is important to ensure access to lifelong education, both for young and elder workers (more about adult education, among others, ed. Krüger 2014). Lifelong education, regular training for all can equalize the level of knowledge in the organization.

„Despite the fact that many employers think their organizations are age-diverse, very few are proactively monitoring the age distribution of their workforces. (...)and nearly half of line managers are not trained in promoting team working in age- diverse teams“ (Chartered Institute of Personnel and Development 2014).

Research conducted in 2007, among 30 Polish organizations indicate that in the surveyed organizations noticed the occurrence of strong intergenerational barriers and prejudices. These barriers were not directly related to overt conflict, but rather with generation isolation. The conflict of generations is mainly psychological (Gojny and Zbierowski 2013). The study was conducted among employees 50+ and 35- as well as among managers. Intergenerational problems perceived by groups of younger employees were mainly: discrimination against young workers by 50+ and specific characteristics of 50+ (mainly: resistance to change, low level of knowledge - primarily languages and IT). Intergenerational problems perceived by 50+ are in the first place resulting from defects of people under 35 such as exterior at work or lack of responsibility. The other intergenerational issues are suggested by managers. Managers indicate that the main cause of confusion is competition between generations.

People in different ages do not identify with each other. They isolate themselves from each other and do not see the common interests and values. Each generation has specific characteristics, models of behaviour and mentality.

Tolbize (2008) has done a detailed review of studies and on this basis, pointed to the similarities and differences between the generations. We can observed some discrepancies between the attitudes of people in different ages. For example: the representatives of Baby Boomers may still be uncomfortable interactive with authority, representatives of gen. X are comfortable with authorities and are not impressed with titles or intimidated by them and Y believe that respect must be earned. The representatives of gen. X and Y want to be held in esteem; listened to and they do not expect deference. BB require special treatment and more weight given to their opinions. Moreover representatives of BB are loyalty and they value company commitment. The representatives of gen. X are less loyal to companies than previous generations but they are loyal to people. Y are loyal when dedicated to an idea, cause or product. Knowledge of these differences may be important during the creating relations in the workplace. These differences indicate, among other how managers can win the trust and respect, build authority among different age groups or how they should communicate with them, how achieve loyalty of employees.

Simultaneously the other research findings allow to conclude that (simplifying):

- Demographic variables (age) are not particularly important in shaping the individual hierarchy of factors affecting employee satisfaction (Springer, 2011).
- There are no notable significant differences in factors affecting the motivation of employees of different ages. What is interesting, there are some differences in the assessment of such factors as: "employment security" and "comfort and safety at work". These factors are the most motivating to work the youngest people (more than others). What is surprising, because in literature it is often stressed that younger people appreciate independence, are flexible and ready to change jobs frequently (Wziątek-Staško, 2014).
- Age does not determine the highly regarded value of work significantly. Interestingly all respondents appreciated the work life balance while usually this value is associated with

the generation Y (Baran and Klos, 2014). People in every ages expect to be respected (Montana and Petit, 2008)

However, it should be noted, that differences in motivation and approach to work, there are also between different people coming from the same generation.

Results from the above information, that between representatives of various generations there are differences related to lifestyle, work style of work, means of communication, attitudes towards work, etc. It should be noted, however, that despite the prevalence of certain differences between generations, these differences are not significant enough to preclude mutual cooperation. They do not concern to a significant extent, a matter of associated with motivation and satisfaction at work. In fact, a lot of opinions about people in different age are based only on pseudo- science and stereotypes (not confirmed in reality). Unfortunately, stereotypical perception and treatment of people due to their age is revealed by both managers and work colleagues and has a big influence on the creation of relations at work (Blauth and al., 2011).”Generational conflict is more likely to arise from errors of attribution and perception, than from valid differences” (Chartered Institute of Personnel and Development, 2014). Moreover, it is worth emphasizing that all problems and intergenerational barriers indicated by managers, employees 50+ and 35- (in cited study) can be divided into:

- problems that are eligible for change through training: eg.: discrimination, 50+ defects, defects of 35-, communication, fears 50+, the barriers and insulation between generation,
- problems which may be affected by employer - the organization of work,
- objective problems - the difference in generations understood as the difference in situations and family life, the beginning and the stabilization of their career (Żorska Izba Gospodarcza, 2006; Zbierowski and Gojny 2013).

4. Conclusion

To sum up, according to the analysing literature and research, the following conclusions can be drawn:

- Generations differ from each other, but these differences can be a source of development for the organization. Sources of misunderstanding are usually reluctance, prejudices, stereotypes and mutual isolation.
- Employees recognize the positive aspects of intergenerational cooperation. However, they emphasize that creating right atmosphere is possible only when in organization ground for communication and cooperation for people in different age will be created (common values, common interests).
- Important role in this process is played by employers, who have a significant impact on the creation of an atmosphere in organization.
- One of the most important roles of managers is to recognize the true characteristics, motivation and expectations of their employees, the fight against stereotypes in the workplace (awareness of employees about it), as well as getting rid of their stereotypical thinking about people in different age.
- Employers also recognize the advantages and challenges of generational diversity. They are ready to undertake the challenge, but according to the survey currently doing it on a small scale. In this context, it is worth to promote the idea of age management (both among employers and employees). Employers should also educate their employees how important is efficiency cooperation between employees of different ages. They should try to combat the stereotypes about age. Moreover, they should seek common points that link generations and can provide a platform for cooperation.

- It would seem, that during the creation of intergenerational relations very important roles could play representatives of generation X. They have points in common both with the generation Y and baby boomers. In this case, X may constitute a “link” between other generations.

Summing up mutual relations between employees of all ages can result from certain differences that are associated with the mentality characteristic of certain generation as well as professional development stadium. It significantly to affect not also firmly established stereotypes and specific fear, and even resentment. Identifying and overcoming them can contribute to creating positive relations between people in different age.

References:

1. Baran M., Kłos M. (2014): Pokolenie Y – prawdy i mity w kontekście zarządzania pokoleniami „Marketing i Rynek” no.5, p 924 - 298
2. Blauth Ch., McDaniel J., Perrin C., Perrin P. B. (2011): Age-Based Stereotypes: Silent Killer of Collaboration and Productivity, AchieveGlobal Tampa, Florida
3. Bylok F.(2009): ‘Zachowania ludzi w organizacji – problemy definicyjne’ in: *Zachowania ludzi w organizacji – wybrane zagadnienia* eds F. Bylok, E. Robak E., Wydawnictwo Politechniki Częstochowskiej, Częstochowa 2009, p.11-22
4. Chartered Institute of Personnel and Development (2014): Managing an age – diverse workforce. Employer and employee views. Survey report, CPD, London p. 19
5. Glińska – Neweś A., Kalińska M., Karaś D. (2014): Znaczenie pozytywnych relacji interpersonalnych pracowników dla rozwoju przedsiębiorstwa, „Marketing i rynek” no. 5 p. 984-985
6. Gojny M., Zbierowski P. (2013), Intermentoring pokoleniowy jako metoda walki z konsekwencjami procesu starzenia się społeczeństwa w organizacjach, „*Współczesne Zarządzanie*” no. 2 p. 162-163
7. Griffin R. W. (1996): Podstawy zarządzania organizacjami, PWN, Warszawa, p.35
8. Krüger K., (eds) (2014): Social Effectiveness of Tertiary Education for Adults in Mid-life, THEMP, Barcelona/Oldenburg
9. Lipka A. (2011): Employee Relationship Management (ERM) jako trend rozwojowy w obszarze funkcji personalnej „*Problemy Zarządzania*”, vol. 9, no. 4 (34) p.211-213
10. Montana P. J., Petit F. (2008): Motivating And Managing Generation X And Y On The Job While Preparing For Z: A Market Oriented Approach, “*Journal of Business & Economics Research*” vol. 6, no. 8 p.35-49
11. Nowatorska – Romianiak B. (2009): Atmosfera w pracy jako istotny element marketingu wewnętrznego firm ubezpieczeniowych „*Wiadomości Ubezpieczeniowe*” no.3 p.72
12. Słocińska A. (2013): ‘Social and Organizational Determinants of the Sharing Knowledge Behaviors and Organizational Innovativeness’ in: *Modern Management in the 21st Century. Theoretical and Practical Issues.* eds I. Ubreziova, E. Horska, GARMOND Nitra, Nitra
13. Smolarek M. (2013): ‘Motywowanie pracowników w małych przedsiębiorstwach w świetle badań własnych’ in: *Zarządzanie podmiotami gospodarczymi w turbulentnym otoczeniu. Aspekty teoretyczne i praktyczne* eds K. Wolniakowska, Sekcja Wydawnictw Wydziału Zarządzania Politechniki Częstochowskiej, Częstochowa 2013 p. 133-143
14. Springer, A. (2011): Wybrane Czynniki kształtujące satysfakcję pracownika „*Problemy Zarządzania*” vol. 9, no. 4 (34) p. 172- 175

15. Tolbize A. (2008), Generational differences in the workplace, http://www rtc umn edu/docs/2_18_Gen_diff_workplace.pdf
16. Wziątek – Staśko A. (2014): Motywatory niematerialne skutecznymi narzędziami doskonalenia procesu motywowania w organizacjach zarządzających różnorodnością. „Zeszyty Naukowe Politechniki Śląskiej. Organizacja i Zarządzanie” no. 73 p.693
17. Żorska Izba Gospodarcza (2007), Model Intermentoring. Podręcznik dla organizacji, Żory

COMPARISON OF DEA MODELS APPLIED FOR EVALUATION OF THE RESULTS OF A PRODUCTION SIMULATION GAME

Tamás KOLTAI, Judit UZONYI-KECSKÉS

Budapest University of Technology and Economics, Budapest Hungary

E-mail: uzonyi-kecskes@mvt.bme.hu

Summary: Data Envelopment Analysis (DEA) is a method for comparing the efficiency of decision making units when the output of these units is evaluated based on the amount of inputs used. A special application area of DEA is the evaluation of student groups participating in a production simulation game. This paper shows how DEA is used to compare the performance of student groups in the simulation game, and how their results can be evaluated using the efficiency scores.

Different DEA models are used to capture the different characteristics of the operation. Basic models with radial efficiency measures are used to analyze the effect of input and output weights, and to separate the proportional decrease of inputs from the independent input reduction possibilities. Slack based measure models are applied to study the joint effect of proportional and independent input/output changes. Dynamic models are used to study the change of efficiency over time.

The paper compares the results of the applied models and analyses the differences. The results show that the application of the assurance regain models is strongly recommended. The presence of negative outputs requires the application of models which can be adapted to negative data.

Keywords: Data Envelopment Analysis, linear programming, performance evaluation, simulation game

1. Introduction

Data Envelopment Analysis (DEA) is a mathematical programming approach that is used for comparing the efficiency of decision making units (DMU) such as production and/or service systems. In contrast to other methods (e.g. ratio methods) that is used for performance evaluation, DEA is capable of handling multiple inputs and multiple outputs as well. DEA was first introduced by Charnes, Cooper and Rhodes for evaluating nonprofit organizations. In the last few decades DEA has been extensively used and investigated and it became an important research area. Several applications of DEA are reported in the literature both in service and in production sector as well. There is no any single DEA method which is always the best. Different application environments have generated different evaluation problems thus several variants of DEA models have been developed.

In this paper, we apply DEA in a higher education context to compare the performance of student groups in a production simulation game. We propose different DEA models to capture the different characteristics of the operation. In the following part of this paper first different DEA models are introduced. Next, the application environment is presented and the important differences between the suggested DEA models for the production simulation application are discussed. Finally, conclusions are drawn and the areas of future research are summarised.

2. Variation of DEA models

The objective of DEA models is to determine the efficiency of decision making units relative to each other by using the ratio of weighted output and weighted input. When we calculate this ratio we make a difference between *input oriented* and *output oriented* methods, which depends on the purpose of evaluation. In the case of input oriented models the objective is to minimize inputs while satisfying the given output levels. In the case of output oriented models the objective is to maximize outputs without requiring more of any of the observed inputs. The highest value of efficiency is equal to 1 and the lowest value is equal to 0.

The models may have a different approach to the marginal change of output. When we assume a *constant return to scale (CRS)* – or CCR – relationship between the input and output values, the size of the input does not influence the marginal change of output. When the effect of the unit change of input is not constant then a *variable return to scale (VRS)* – or BCC – relationship is assumed. (Cooper et. al, 2007)

In Data Envelopment Analysis the two most important group of efficiency measures are the radial measures and the non-radial measures. Radial measures are applied, for example, in the cases of CCR and BCC models, whereas non-radial measures are applied in the case of *slacks-based measure (SBM)* models (Tone 1999). The radial models provide information about the proportional change of all inputs (all outputs). It is assumed that all inputs (all outputs) must be decreased (increased) by the same proportion. Note, that independent input/output changes can also be explored in the second phase of this approaches. In contrast, the non-radial models search for the maximum input decrease and/or maximum output increase with the help of an objective function using the slack variables.

When CCR or BCC models are solved, generally there are several weights with zero value. From management point of view this is not acceptable, because management want to consider each output/input at the evaluation. Furthermore, large differences in weights may cause misleading evaluation. The application of the *assurance region (AR) method* helps to overcome these shortcomings of these models, by imposing constraints on the relative magnitude of the weights.

Traditionally DEA models have required the assumption that all the input and output values are semi-positive. In many applications, however, negative inputs or outputs may appear, such as loss when profit is an output variable. Many models are developed to handle negative data (for example Portela et al 2004). Sharp et al. (2006) introduced a *modified slacks based measure (MSBM)* in which both negative outputs and negative inputs may occur.

Similar to MSBM models, the *Semi-Oriented Radial Measure (SORM)* model proposed by Emrouznejad (2010), can deal with negative data. The key idea that makes SORM model different from MSBM is that it replaces an input/output variable which can take positive values for some and negative values for other DMUs by two non negative variables. One variable is for used for the positive data of the original variable, and the other variable is for the negative data of the original variable.

There exist input or output oriented and constant or variable return to scale version of the aforesaid models. In addition, further DEA models have been developed to solve new problems and to overcome the drawbacks of the earlier models.

3. Application environment

We analysed a production simulation game, which is developed by Ecosim to support education and training in the production management area (www.ecosim.hu). The objective of the game is to simulate production management decision making in a car engine manufacturing factory. The factory produces three different car engines for five different

markets in 7 periods. Each market has its own demand characteristics. The car engines are assembled from parts on assembly lines operated by workers.

For the next production period (year) each student group must make sales and marketing, production, investment and financial decisions. After submitting the decisions, the simulation program generates the results of the actual production period. The results are summarized in a production report and in a financial report. Using the results and experiences of the earlier periods the student groups try to increase operational performance of the next periods.

We used different input – oriented DEA models for evaluating the performance of student groups at the end of the seventh period of the simulation game. In all cases we applied a constant return to scale model, because there is not size difference between the DMUs, thus a variable return to scale approach is not relevant.

Two outputs and four inputs were considered in the analysis. In our previous papers we presented the evaluation of the performance of student groups using different outputs (Koltai, Uzonyi 2012). In this paper the results of several DEA models addressing various modeling problems are presented. One of the outputs is *cumulated production quantity* which reflects the effect of production management decisions related to machine and worker capacity, to material requirement planning and to inventory management. The other output is *net profit* which integrates the effect of marketing, production and financial decisions. The four inputs – *cumulated number of workers*, *cumulated number of machine hours*, *cumulated sum of money spent on raw materials* and *cumulated value of credits* – represent the resources used in the production process. Consequently, the performance of the production system based on these decisions reflects student’s knowledge in the related areas.

4. Results and comparison of DEA models

The performance of 18 student groups is compared using input oriented CRS, CRS-AR, SBM, MSBM and SORM model. The results are summarized in Table 1.

Table 1: Efficiency results of DEA models

Team	Output 1 Net profit	Output 2 Production Quantity	CRS	CRS-AR	SBM	MSBM	SORM
1	0,650	2,701	1,0000	0,9281	1,00000	1,0000	1,0000
2	0,097	2,714	1,0000	0,8109	1,00000	1,0000	1,0000
3	1,874	2,911	1,0000	1,0000	1,00000	1,0000	1,0000
4	0,186	2,448	0,9732	0,8750	0,22036	0,7033	0,9732
5	-0,269	2,327	0,9579	0,7583	1,00000	0,5192	0,9579
6	0,046	2,573	0,9823	0,8583	0,07051	0,6846	0,9823
7	1,656	2,778	1,0000	1,0000	1,00000	1,0000	1,0000
8	1,007	2,553	0,9917	0,9152	0,62730	0,6043	0,9917
9	1,714	2,977	1,0000	0,9999	1,00000	1,0000	1,0000
10	1,051	2,836	0,9982	0,9351	0,88190	0,8757	0,9982
11	0,987	2,440	0,9982	0,9473	0,75962	0,7461	0,9982
12	0,183	2,466	0,9798	0,8647	0,19680	0,6468	0,9798
13	0,675	2,368	0,9322	0,8020	0,47361	0,5573	0,9322
14	1,729	2,650	1,0000	0,9859	1,00000	1,0000	1,0000
15	0,879	2,665	1,0000	1,0000	1,00000	1,0000	1,0000
16	0,197	2,487	0,9508	0,8305	0,18356	0,5641	0,9508
17	0,667	2,964	0,9053	0,8250	0,42232	0,0676	0,9053
18	0,799	2,553	0,9867	0,8731	0,69966	0,7184	0,9867

Source: the authors own table

Column 2 and 3 shows the values of the two outputs applied in the evaluation. These data are properly scaled to avoid numerical problems. Column 4-8 shows the efficiency scores of the different models. In those models, which can not handle negative data, negative values were substituted by zero.

Using the basic input oriented CRS model, 7 student groups have the highest possible efficiency score. The results show that the operation of almost half of the DMUs is efficient. Furthermore the value of the efficiency score of inefficient groups is close to 1, which indicate a low discrimination power of the model. In this case, a large number of input and output weights are zero, consequently, for example, the profit has insignificant effect on the obtained efficiency scores.

Applying weight restrictions (CCR-AR), it can be observed that all DMU obtained lower scores. The number of the efficient groups is also reduced, only groups 3, 7 and 15 remained at the status of full efficiency. We applied 0.1 for the pairwise relative lower limit of the inputs, and 0.25 for the lower limit of the ratio of outputs.

It is proved, that the efficiency score of the SBM models is not greater than the CRS efficiency values (Tone, 1999). In addition, a DMU is CCR efficient if it is SBM efficient. Consequently, CCR efficient student groups remained at the efficient status under SBM evaluation. The values of SBM score of most of the inefficient groups are lower than the CRS scores. Group 5 has higher efficiency score with SBM than with CRS evaluation. This contradiction indicates that the SBM model can not be applied in this case. Note, that group 5 has negative net profit, consequently output are not semi-positive, and the efficiency scores are theoretically erroneous.

MSBM and SORM models can be used to handle negative data. According to Table 1. MSBM and SORM selected the same DMUs as efficient, but different target values are recommended. The target values recommended by the CRS, and the MSBM models for a selected student group (Team 10) is presented in Table 2. It can be seen, that the MSBM target values indicate a slightly smaller input reduction, than that of the CRS values, but with a higher production quantity.

Table 2: Target values of Team 10

	<i>Production quantity</i>	<i>Net profit</i>	<i>No. workers</i>	<i>Machine hours</i>	<i>Raw materials</i>	<i>Debt</i>
Original	2 836 320	1 050 699	13 662	3 284 436	5 608 796	1 632 000
CRS	2 836 320	1 050 699	12 489	3 278 483	5 410 413	1 123 659
MSBM	2 8418 60	1 050 699	12 514	3 284 436	5 423 519	1 124 375

Source: the authors own table

Note, that the SORM efficiency scores are identical with the CRS efficiency scores in Table 1. This can be explained by the fact, that Team 5 is the only team with negative output value. In this special case, the constraint belonging to this unfavourable output does not influence the production possibility set, and consequently the efficiency scores.

5. Conclusion

This article compared the results of different DEA models when the performance of student groups in a production simulation game is evaluated. Basic models with radial efficiency measures are used to analyse the effect of input and output weights, and to separate the proportional decrease of inputs from the independent input reduction possibilities. Slack based measure models are applied to study the joint effect of proportional and independent input/output changes. The results show the advantage of the application of the assurance

regain model. The presence of negative outputs requires the application of models which can be adapted to negative data.

We note, that evaluation of the teams in the presented cases is based on aggregated input and output values. The inputs and outputs in the 7 production periods are simply accumulated. The dynamic behaviour of the teams is not reflected in this aggregate approach. Applying *Dynamic DEA models* can capture the progress of teams during the decision-making process and may providing a more detailed picture about the learning process. (Koltai, Uzonyi 2013)

References

1. Charnes, A., Cooper, W.W., Rhodes, A. (1978): Measuring the efficiency of decision making units. *“European Journal of Operations” Research*, 2, p.429-444.
2. Cooper, W.W., Seiford, L.M., Tone, K. (2007): Data envelopment analysis. Springer.
3. Emrouznejad, A., Anouze, A.L., Thanassoulus, E. (2010): A semi – oriented radial measure for measuring the efficiency of decision making units with negative data, using DEA. *“European Journal of Operational Research”* 200 p. 297-304.
4. Koltai, T., Uzonyi-Kecskés, J. (2012): Data Envelopment Analysis and its Application for Measuring the Performance of Students in a Production Simulation Game. In: Illés, Cs.B. (ED) SMEs' Management in the 21st Century: Challenges and Solutions. Czestochowa: Publishing Section of the Faculty of Management, Czestochova University of Technology, p. 322-335.
5. Koltai, T., Uzonyi-Kecskés, J. (2013): Analysis of the learning process in a production simulation game with DEA using cumulative data. In: Miskolci Egyetem. Innovációs és Technológia Transzfer Centrum (szerk.). *microCAD 2013: XXVII. microCAD International Scientific Conference: Section Q: Economic Challenges in the 21st Century (Gazdasági kihívások a XXI. században)*. Miskolci Egyetem, Paper Q9. 6 p.
6. Sharp, J., Meng, W., Liu, S. (2006): A modified slacks based measure model for data envelopment analysis with ‘natural’ negative outputs and inputs. *“Journal of Operational Research Society”* 57 (11), 1-6
7. Tone, K. (1999): A slacks – based measure of efficiency in data envelopment analysis. *“European Journal of Operational Research”* 130 p. 498-509.
8. Silva Portela, MCA, Thanassoulis, E, Simpson, G (2004): Negative Data in DEA: a directional distance approach applied to bank branches. *“Journal of Operational Research Society”* 55 (1111-1121)

ANTECEDENTS TO KNOWLEDGE SHARING BEHAVIOUR: TRUST CLIMATE AS THE FACILITATOR AND ATTACHMENT TO KNOWLEDGE AS THE DETRACTOR

Sathya Narayanan SIVAPRAKASAM¹, Manikandan VELRAJAN²

¹*Higher Colleges of Technology, Abu Dhabi, UAE*

²*Manonmaniam Sundaranar University, India*

E-mail: ssivam@hct.ac.ae

Summary: Knowledge sharing is considered vital for the success of the organisations as the knowledge driven economy demands knowledge specific asset building rather than physical asset building). In this study, the role of trust environment, the perceived benefits, Expected reciprocation and the sense of attachment to knowledge affecting the knowledge sharing behaviour of employees in Knowledge centric organisations are assessed. A structural model fit of the variables involved in the study revealed that expected reciprocation and a trust based environment is positively affecting the knowledge sharing behaviour. Attachment to knowledge will strongly hinder the knowledge sharing initiatives whereas perceived benefits will not have any direct impact on knowledge sharing. This study suggests that Organisations can not encourage knowledge sharing amongst its employees by merely providing incentives and benefits. It requires a trust based environment which can strongly encourage knowledge sharing and simultaneously mitigate the employee's attachment to knowledge (perceived loss of knowledge power) which emerged as a strong detractor of knowledge sharing behaviour.

Keywords: Knowledge Sharing, Knowledge Attachment, Trust

1. Introduction

Knowledge is considered to be a source of competitive advantage and it represents rare, inimitable and non-substitutable assets (Liebeskind, 1996). Although Knowledge sharing is recognised as one among the important factors which facilitate the survival of the organisation, the factors which encourage or discourage knowledge sharing behaviour in organisations are not well understood (Bock et al, 2005). To date several authors have studied the antecedents to knowledge sharing including organisational factors like a culture of trust and innovation, management and supervisor support, rewards and incentives, team characteristics etc. and individual factors like attitude, ownership of knowledge, reciprocation, etc. (Wang and Noe, 2010). Uniqueness in knowledge will be a source of power and personal gains in terms of cash bonuses and promotion (Husted and Michailova, 2002). This power source may act as a deterrent to knowledge sharing because employees fear losing their distinctiveness. Only a few studies have been made on the impact of power on knowledge sharing (Liao, 2008; Renzl, 2008).

Perceived loss of knowledge power is considered to be a detractor of knowledge sharing (Chennamaneni, 2006) whereas perceived benefits, Reciprocation and trust climate is considered to be a facilitator of knowledge sharing as identified in the earlier studies (Wang and Noe, 2010). The role of the afore-mentioned factors is not assessed through a Structural Equation Model which will be the unique contribution of the study. No documented research has studied the role of Trust climate as an antecedent to the knowledge sharing behaviour with the perceived benefits and the perceived loss of knowledge power as mediators. This is warranted because trust plays a major role in balancing a psychological contract between

employers and employees and it has the potential to provide employee satisfaction and commitment (Atkinson, 2007). The ability of trust as an antecedent in reducing the perceived loss of knowledge power and increasing the perceived benefits before having a positive impact on knowledge sharing has to be tested.

2. Hypotheses Development

Trust as an antecedent: In the knowledge sharing context, trust is considered to be very effective in reducing the perceived costs of knowledge sharing (Kankanhalli, Tan and Wei, 2005). Equally, trust is considered to be an important antecedent to knowledge sharing in the previous studies (Butler, 1999; Chowdhury, 2005, Wu et al., 2007). This premise leads to the hypothesis on the antecedent role of trust on the knowledge sharing behaviour of employees.

H1. Trust climate has a significant positive impact on the knowledge sharing behaviour of employees.

Mayer and Gavin (2004) proposes through their study on the need to investigate the mechanism through which the trust has an impact on the knowledge sharing. Therefore, measuring the direct and indirect effects of trust on knowledge sharing carries significance. Renzl (2008) proposes that trust can facilitate knowledge sharing by reducing the perceived loss of unique value by holding on to the power. This is measured as perceived loss of knowledge power (Gray, 2001). This sense of holding on to knowledge as a source of power and fearing to lose that power leads to knowledge attachment which could act detrimental to knowledge sharing. This premise leads to the second and third hypotheses.

H2. Trust climate significantly reduces the sense of attachment to knowledge

H3. Attachment to knowledge will significantly reduce the knowledge sharing behaviour

Wang and Noe (2010) argue that perceived benefits as an antecedent to knowledge sharing is one of the most widely attempted studies. Emerson (1981) suggests that knowledge sharing by individuals is evaluated based on the perceived ratio of benefits to costs and their knowledge sharing decisions are based on perceived respect, reputation and incentives. This leads to the following hypotheses. The norm of reciprocity refers to the expectations that knowledge sharing should be mutual and considered fair by both the sharing and receiving parties. Prior studies suggest that individuals share knowledge with an expectation that the others will oblige to the individual's future knowledge requests (Kankanhalli et al., 2005; Bock et al., 2005). No relevant studies have identified the impact of the perceived benefits on the reciprocity. It can be hypothesised that the higher the perceived extrinsic benefits from knowledge sharing, higher the reciprocal expectations for fair exchange of knowledge between two parties.

H4: Perceived benefits (measured in terms of perceived reputation and incentives) have a profound positive impact on the knowledge sharing behaviour.

H5: Perceived benefits of knowledge sharing positively influences the expected knowledge reciprocity

H6: Knowledge Reciprocity significantly increases the knowledge sharing behaviour.

Beyond these the role of trust climate and its impact on the perceived benefits also need to get assessed because employees may expect benefits from knowledge sharing aided by a climate of trust. Moreover, the perceived benefits may reduce the sense of attachment to the knowledge because the incentives and reputation associated with knowledge sharing will encourage the individuals to give up their knowledge. Meanwhile, the reciprocity associated with knowledge sharing may increase the sense of attachment to knowledge because expectations to share knowledge are influenced by other's intentions to reciprocate. As this context is perceived as quid pro quo, the tendency of individuals may generally prefer to hold on to knowledge than to risk sharing it. This leads to the following hypotheses:

H7: The trust climate has a significant positive impact on the perceived benefits of knowledge sharing

H8: The perceived benefits of knowledge sharing will significantly reduce the attachment to knowledge

H9: The reciprocity will have a positive effect on the attachment to knowledge.

Based on the above hypotheses, a conceptual framework is developed so as to assess the model using structural equations.

3. Sampling procedure

The respondents for this study are representing knowledge workers who are predominantly from software development and Information Technology industry. As reaching a sample size of above 425 is considered robust to represent the population, a snowballing sampling procedure is followed but very much restricted to the knowledge industries.

4. Results

The Structural Equation analysis is carried out on the data using AMOS 21.0 through a two-stage approach. The measurement properties of the constructs are initially assessed before analysing the structural relationships between the constructs. Several nested models are tested for fit and through examining the changes in Chi-Square of the several nested models, the theoretical model turned out to be a good fit with CFI= 0.96. The theoretical model turned out to be significant with Chi-square/degrees of freedom ratio at 2.142 and P value showing significant difference (as the sample size and number of variables are larger, this significant difference in the overall model fit is expected). The RMSEA value and SRMR value stood at .049 and .0588 respectively, indicating parsimonious model fit. The goodness of fit indices equally are in acceptable limits (GFI= 0.931, AGFI= 0.908).

The standardised path estimates (Table 1.) reveal that the knowledge sharing behaviour of employees is highly influenced by the organisation's trust climate (H1 supported with beta estimate at 0.256 and $p < .01$). On the other hand the attachment to knowledge has a significant negative effect on the knowledge sharing behaviour as hypothesized (H3 supported with standardised beta estimate at -0.280 and $p < .01$). Both are almost equal in effect on the individual's knowledge sharing intentions but in opposite directions. But it is interesting to observe that the trust climate can significantly reduce the negative intentions associated with knowledge attachment (H2 supported very strongly with standardised beta estimate at -0.311 and $p < .01$). This underscores the mitigating role played by the organisational trust climate in reducing the fear of losing knowledge power. The perceived benefits in terms of incentives and reputation do significantly influence knowledge sharing behaviour (H4 not supported: as evident from the beta estimate with .104 and $p > .05$). This showcases the insignificant role played by the organisational benefits on determining the knowledge sharing behaviour in comparison to the role played by trust or knowledge attachment.

The perceived reciprocity in knowledge sharing has a strong positive relationship with knowledge sharing behaviour (H6 supported: as evident from the beta estimate with .221 and $p < .01$). Quid pro quo expectations in knowledge sharing logically have a strong impact on the actual knowledge sharing behaviour. One of the strongest positive relationship is the impact of perceived benefits on reciprocity (H5 supported: with beta estimate .593 and $p < .01$). This is quite logical in its explanation that extrinsic benefits encourage quid pro quo transactions in knowledge sharing.

Table 1. Results of Structural Equation Analysis

Hypotheses/ Relationship	Estimate	Significance	Sign	Support
H1- Trust Climate→ Knowledge Sharing	.256	**	+	Yes
H2- Trust Climate→ Knowledge Attachment	-0.311	**	-	Yes
H3- Knowledge Attachment → Knowledge Sharing	-.280	**	-	Yes
H4- Perceived Benefits → Knowledge Sharing	.104	X		No
H5- Perceived Benefits → Reciprocity	.593	**	+	Yes
H6- Reciprocity → Knowledge Sharing	.221	**	+	Yes
H7- Trust Climate→ Perceived Benefits	.422	**	+	Yes
H8- Perceived Benefits → Knowledge Attachment	-0.031	X		No
H9- Reciprocity → Knowledge Attachment	.190	*	+	Yes

** p<0.01 *p<0.05 X-Not Significant

Further analysis reveals that trust climate has also a very strong impact on the perceived benefits from knowledge sharing (H7 supported: with beta estimate .422 and p<.01). This is contextually revealing in its meaning because the increased trust levels can naturally enhance the perceived benefits from knowledge sharing. But the perceived benefits share no relationship with attachment to knowledge (H8 not supported: as evident from the beta estimate with -.031 and p >.05). This is also surprising because when individuals perceive to get benefits from knowledge sharing it is expected that the tendency to hoard the knowledge can come down significantly. This means that extrinsic benefits do not have the power to reduce the attachment to knowledge and it cannot be able to decrease the fear of power loss due to knowledge sharing. The role of reciprocity in determining the attachment to knowledge tendencies is also significant (H9 supported, but with a weaker impact with beta estimate .190 and p<.05).

5. Limitations and Future Directions

This study involves knowledge workers across various organisations. Although there is a consistency across the choice of the respondents they belong to various industries, proving external validity requires greater care in sampling from a single industry to emphasise homogeneity of samples. This work is purely quantitative in nature and is exposed to the inherent vulnerabilities of any quantitative research. Future qualitative studies should be carried out to triangulate these findings.

This study didn't consider any new variables and in a sense has repeated earlier studies with minor modifications to the relationships. In future, the role of conflicting intentions to knowledge sharing has to be tested as the individual's mind is not always consistently tuned towards knowledge sharing. This means that employees will go through a flux during which on some occasions feel encouraged to knowledge sharing and in some other occasions feel not to share knowledge. Such conflicting intentions and their impact on knowledge sharing behaviour need to be studied in the future.

6. Conclusion

Organisations while taking initiatives to encourage knowledge sharing behaviour has to facilitate a trust climate as a primary antecedent. While the trust can encourage knowledge sharing it can significantly allay down the fear of individual's loss of knowledge power. The organisations should also design incentives and recognition programme which can indirectly encourage knowledge sharing through creating necessary reciprocity platforms. The above

measures will help organisations to encourage knowledge sharing and reducing the knowledge attachment tendencies.

References

1. Bock, G. -W., Zmud, R. W., Kim, Y. -G., & Lee, J. -N. (2005). Behavioral intention formation in knowledge sharing: Examining the roles of extrinsic motivators, social-psychological forces, and organizational climate. *MIS Quarterly*, 29(1), 87–111.
2. Atkinson, Carol (2007) "Trust and the psychological contract", *Employee Relations*, Vol. 29 Iss: 3, pp.227 - 246
3. Husted, K., & Michailova, S. (2002). Diagnosing and fighting knowledge-sharing hostility. *Organizational Dynamics*, 31(1), 60–73.
4. Jackson, S. E., Chuang, C. -H., Harden, E. E., Jiang, Y., & Joseph, J. M. (2006). Toward developing human resource management systems for knowledge-intensive
5. Liao, L. -F. (2008). Impact of manager's social power on R&D employees' knowledge-sharing behaviour. *International Journal of Technology Management*, 41(1/2), 169–182.
6. Liebeskind, J. P. "Knowledge, Strategy, and the Theory of the Firm," *Strategic Management Journal* (17:Special Issue), 1996, pp. 93-108
7. Renzl, B. (2008). Trust in management and knowledge sharing: The mediating effects of fear and knowledge documentation. *Omega*, 36(2), 206–220.
8. S. Wang, R.A. Noe / Knowledge sharing: A review and directions for future research *Human Resource Management Review* 20 (2010) 115–131

APPLYING ALTERNATIVE METRICS IN THE QUANTIFICATION OF NEWS

Márk MOLNÁR, Zsuzsanna NAÁR-TÓTH

Szent István University, Gödöllő, Hungary

E-mail: mark.molnar@gtk.szie.hu

Summary: Using a common definition we can define news analysis as the measurement of the various qualitative and quantitative elements of textual news stories. These elements include sentiment, relevance and novelty. By quantifying news stories we can gain a useful way to manipulate and use everyday information in a mathematically concise manner. In this article a framework for news analytics techniques used in finance is provided. Various news analytic methods and software are discussed, and a set of metrics is given that may be applied to assess the performance of analytics. Various directions for this field are discussed. The proposed methods can help the valuation and trading of securities, facilitate investment decision making, meet regulatory requirements, or manage risk.

Keywords: textual news stories, finance, alternative metrics, software, investment decision making

1. Introduction

Quantitative analysis of text (news, tweets, articles, etc) can provide additional information for financial analysis. First of all text contains an additional emotional content (called sentiment) which provide valuable input for further conjectures on a given topic. Another important factor is the opinions and links found in the text to other sources. Third the quantification of some intrinsically qualitative information can be difficult and results in „signal loss”. Fourth, textual information contains some additional value over aggregated and composite quantitative information (Loughran, McDonald, 2014).

Evolution of computer hardware, computing power and storage capacity allowed for the birth and fast evolution of data mining. In addition to the vast amount of data generated every day and every hour it is possible to rely on large databases for analysing information. Dictionaries are used for providing a quick assessment of sentiments found in an article by quickly comparing the contents of the respective text with the built-in words and developing a score. One example is the Harvard Inquireer (<http://www.wjh.harvard.edu/inquirer/>) which allows for deciding on the optimistic or pessimistic nature of an article. Associative dictionaries are also a novelty, they basically function as a thesaurus and allow for establishing the proper context of a text. To visualise context some webpages offer online graphics to provide an eye-catching clue, see e.g. Visuwords or other pages.

Advantage of using such dictionaries is that they provide an unbiased fundament for evaluation, an objective basis which can be referenced and referred in research.

Many techniques exist to reduce the enormous amount of textual input to process thus simplifying analytical work. One interesting and important element is text summarisation. A simple form of summarisation is when we select the sentence(s) with the largest commonality index; that is, a number which represents the similarity between the text and other elements. One of the basic measures used is the Jaccard formula (Jaccard, 1901), which allow for the composition of the Jaccardi matrix. The (i,j) element of the Jaccardi matrix is given as

follows $J_{ij} = \frac{|S_i \cap S_j|}{|S_i \cup S_j|} = J_{ji}$. Similarity is calculated by calculating row sums, $S_i = \sum_j J_{ij}$, and a

natural ranking according to the significance of a sentence can be starting from the lowest values (e.g. highest information content or novelty).

After having done some analysis and editing tasks and having trimmed the text to our needs the next task is to analyse the text. One important step is to extract sentiments and decide about the message of the text (e.g. optimistic, pessimistic, neutral).

One method for this process is the Bayesian classification, where we use a training set to “teach” the computer to classify documents based on the occurrence of typical terms (so called prior probabilities) and use the definition of the conditional probability to calculate posterior probabilities to classify new documents in the given classes of sentiments.

Another method frequently applied is the support vector model, which separates the datasets using a distance maximisation method (e.g. distance between data groups is maximised by fitting (a) separating hyperplane(s) between).

A simple way can be the word count method where we simple count the number of words with positive and negative sentiment and get a net balance of the text.

2. Applying metrics text analysis assessment

When trying to establish the quality of an algorithm in text mining, it is important to apply certain metrics. Originally metrics mean a measurement of distance in mathematics, in the current context they provide a means to test for the goodness of the text mining algorithm. Here we present only a few examples from the literature (see e.g. Das, 2014 and Das and Chen, 2007).

One important element is the confusion matrix, which describes the goodness of classification using a matrix form. Simply put, assuming a k categories, we have a quadratic $K \times K$ matrix, where the rows represent actual categories, columns represent assigned categories, and any cell (i,j) represents a text which is category i and was assigned to category j . Obviously only elements in the diagonal of the matrix represent well classified elements, all other elements which are non-zero represent classification error (thus the notation confusion matrix).

The test is based on a χ^2 critical value, the null hypothesis that in the case of random guessing (a completely useless algorithm) the rows and columns would be independent. Denote with $O(i,j)$ the actual elements of the confusion matrix and $E(i,j)$ the expected element under the assumption of no classification (uniformly distributed random values, e.g. the number of observations in the i^{th} row and j^{th} column divided by the total number of observations).

$$\chi^2_{(K-1)^2} = \sum_i \sum_j \frac{(O(i,j) - E(i,j))^2}{E(i,j)}$$

Depending on this test statistics we can decide about accepting the algorithm.

Based on the elements of the confusion matrix accuracy can also be tested with the following metrics using the previous notations

$$A = \frac{\sum_i O(i,i)}{\sum_j M(j)} = \frac{\sum_i O(i,i)}{\sum_i M(i)} :$$

This is simply the sum of the diagonal elements divided by the sum of all elements of the matrix.

Incorrect classification can be sometimes more harmful than no classification at all. Incorrect classification can be simply counted as the percentage of elements which are not correctly assigned (this can be weighted). A logical assumption is that the categories are arranged in a manner where neighbouring categories have proximity in their sentimental content, too. Under such arrangement it is expected that a classification which puts a given category to a category with distinctively different meaning causes much more harm than a misclassification to a category in the “vicinity”. In our proposition below we try to give a way to resolve this issue by introducing a vicinity factor in misclassification.

3. Proposed new metrics in text analysis

One important element in text analysis is classification of text. Besides that, in our proposed method it is possible to identify the main market tendencies according to the followings.

Assume that the information from the market is organised into n documents (sources) and that at most k distinctive terms are

Suggestion for systemic error testing

If a classification algorithm is completely precise, we would only receive elements in the main diagonal, that is, the rank of the matrix would be full (equaling the number of rows). If on the other hand we have a systemic error in the algorithm, this would mean a tendency of false classification. In this case a category could be replaced by one or more other categories and the classification would not suffer any loss. For this we suggest a rank probe, that is to calculate the rank of the confusion matrix. If the rank is lower than the order of the matrix (k) that means that one category can be reproduced as a linear combination of other (one or more) categories. In that case the algorithm is generating systemic, inherent errors. If the rank of the confusion matrix is full, then the algorithm contains only random errors.

Communality matrix and determination of principal vectors in news

Concerning miscategorisation as a grave error it is logical to identify a measure to deal with this problem. Assume that categories are assigned in a logical order (e.g. decreasing sentiment, etc.) and that the the algorithm is not degenerative, that is the K confusion matrix is full rank. In that case it is possible to apply linear transformation and gain the Jordan canonical form (Molnár - Szidarovszky, 2002). In that case there exist at least one real eigenvalue of the matrix, but more importantly the basis of the Jordan-form matrix is composed of the eigenvectors of the original matrix (transformation, or in our case classifying algorithm).

A measure for the degree of miscategorisation can be a simple euclidean distance of the standardised eigenvectors. If the distance is less than a given threshold, then the categorisation can be accepted. If the distance is very large than the algorithm can be considered risky from the aspect of miscategorisation.

4. Empirical results of news analytics

Some elements of the theoretical results were applied to a specific case along the following lines. The Hungarian Oil Companies (MOL) and the Croatian Industrianafta (INA) formed a strategical alliance in 2003 and MOL became the owner of almost 50% of the INA shares. In our short analysis we analysed approximately 850 articles from Hungarian websites (primarily, portfolio.hu). These articles were grouped into three categories based on keyword

assessment: bearish (pessimistic), bullish (optimistic) and neutral, and were scored accordingly. In many cases the articles were of political nature and thus had additional layers of information. In cases where multiple messages (perhaps of mixed positive and negative nature) were found the overall aggregate value was considered for that day.

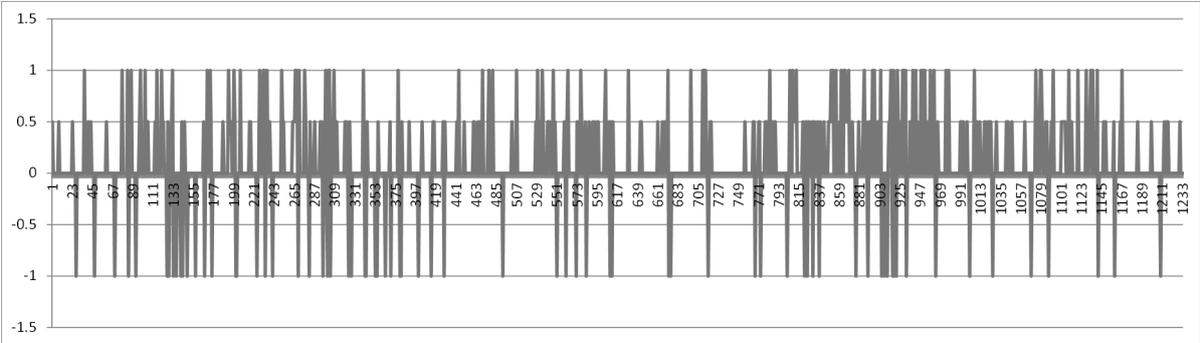
This was matched with the daily movement of MOL share prices on the Budapest Stock Exchange (BUX).

These results were combined in simple difference values as follows. If the information gained from news analytics (three discrete values were possible) were matching the daily movement of prices then we assigned a +0.5 value to the forecast.

If the information derived from the analysed news were different from the share price movement we generated a +1 or -1 value depending on the direction of share price change compared to the forecast.

The information is summarised in the following chart, Figure 1.

Figure 1. Differences between information of analysed news and share price movements, no lag

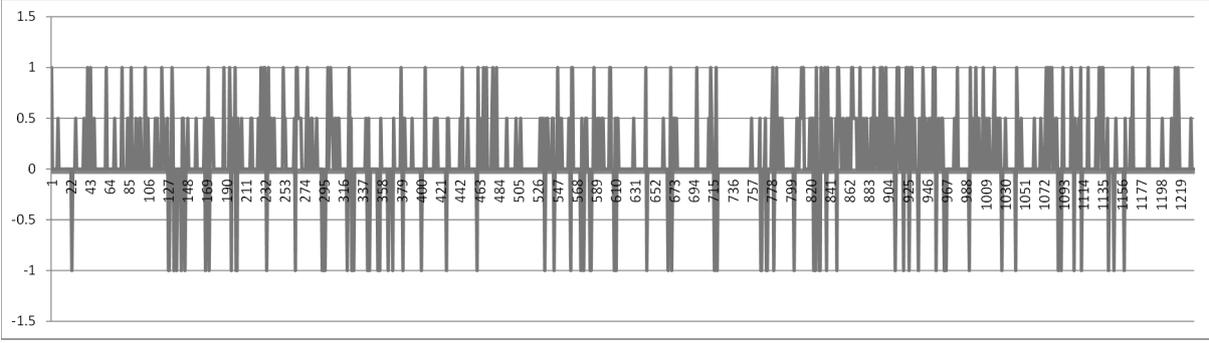


(1=share price increase w. negative forecast, 0.5 identical movement, correct forecast, -1=share price decrease with positive forecast)

Source: own calculations

It is well visible that the news analytics performed only partially well in forecasting price movements. As this was the contemporaneous (daily change) it is worth to check for the lag phase behaviour of the forecast. This is shown in Figure 2.

Figure 2. Differences between information of analysed news and share price movements, 1 day lag



(1=share price increase w. negative forecast, 0.5 identical movement, correct forecast, -1=share price decrease with positive forecast)

Source: own calculations

From this chart it can also be observed that a given day prediction from news analysis typically resulted in the next day share price movement following the sentiment of the news text.

5. Remarks

Although the above results are of limited scope they show that news analytics require increased attention both from the theoretical view and from the view of technical analysis. There is evidence that the market is not fully informed, at least that that full information principle only holds in a weaker form as news analysis is able to provide additional predictive abilities.

References

1. S. R. Das. Text and Context (2014): Language Analytics in Finance. Foundations and Trends R in Finance, vol. 8, no. 3, pp. 145–260.
2. S. Das and M. Chen (2007): Yahoo for amazon! sentiment extraction from small talk on the web. Management Science, 53:1375–1388.
3. Jaccard P (1901). Étude comparative de la distribution florale dans une portion des Alpes et des Jura. Bull. Soc. Vaudoise Sci. Nat. 37: 547-579.
4. T. Loughran and W. McDonald (2014): Measuring readability in financial disclosures. Journal of Finance, 69:1643–1671.
5. Molnár S., Szidarovszky F. (2002): Introduction to Matrix Theory with Applications to Business and Economics, World Scientific, London.

WORK DETERMINANTS OF WORK-LIFE BALANCE IN THE SMALL AND MEDIUM-SIZED ENTERPRISES

Elżbieta ROBAK, Anna SŁOCIŃSKA

Częstochowa University of Technology, Częstochowa, Poland

E-mail: elarobak@wp.pl

Summary: The analysis of the problem of work-life balance (WLB) expanded through the last few years, being transformed from the typically female problem, connected with family life, into more general issue, concerning all the employees. The problem occurs especially with reference to the small and medium enterprises (SMEs), which dominate in the enterprise structure in the world and in a significant way, they decide about the development of economy. At the same time, these organizations represent relatively low standards in terms of realization of the basic rules of HR management, including WLB. It is caused by not only the system and organizational limitations, but it is also a result of a lack of the employers' awareness in relation with a given area. It also seems to be interesting, that the peculiarity of the functioning of a SMEs group at the same time may be recognized as a factor fostering efficient management of WLB in these organizations (greater flexibility in decision-making, greater flexibility in terms of structural and economic matters) in one hand. On the other hand, it may be considered as a factor creating obstacles in implementation of the WLB idea (ad hoc management, lack of knowledge in the area of shaping activities concerning WLB, focus on profit in a short time, lack of strategic management, lack of formal representations of the employees' interests). The aim of the article is to present the conditions of WLB of SME's employees with particular emphasis on results of author's own research.

Keywords: work-life balance, human resource, SME.

1. Introduction: terminology issues of work-life balance

Changes in the functioning of the enterprises, influenced by various social and market factors, and changes in attitudes and social expectations of the employees make the companies look for the best possible solutions in the area of human resources management (HRM). It is accomplished by extensive and complex procedures and tools used in the execution of the HR function. This can be seen especially in large organizations that have developed, formalized personal strategies to further the objectives taking into account the needs of the organization and employees as well. However, in the case of small and medium-sized enterprises (SMEs) personnel function is sometimes performed to a limited extent, often in an intuitive way. Management theorists and practitioners seeking new areas of impact on the motivation of employees recognized the importance of the work aspects, such as job satisfaction, commitment, organizational identity, loyalty and quality of life in the workplace (Czarnecka, 2014; Przewoźna-Krzemińska, 2014). These elements refer to the issue of balancing work and personal life of employees what is the subject of this study. The main aim of this article is to try to identify the key factors influencing the work-life balance (WLB) in SMEs in the light of author's own research results.

The importance of the problems and challenges in a process of building proper relation between work and personal life progresses in the conditions of globalization, increasing competitive pressure, demographic and social changes, deregulation of the labour market, and

especially in the face of a rapid technological development. A significant starting point for the analysis of the WLB is to assume that searching for optimal solutions and their implementation will be in the interest of the employers as well as employees. WLB refers to the workers' ability to decide how much time, where and when will they devote to the activities, so WLB can be understood as an equal distribution of time, energy and engagement in all the areas of life in a way that you achieve satisfaction in all of them (Kirchmeyer, 2000). The possibility of using the autonomy in the same area is referred to the issue of general life quality and promoting of the quality of work and its conditions. (Michol-Zajda, 2008; ed. Sadowska-Snarska, 2008)

In the light of literature, WLB is described as a state which is the closest to some optimum meaning satisfaction with reconciliation between the social and professional roles (Greenhaus and Beutell, 1985). This assumption neglects the fact that these relations are very dynamic. They change and are dependent not only on the individual needs of the employee, which evolve over time, but also on the changes in the environment. In connection with it, it is more reasonable to present work-life relationship as a constant process: balancing, harmonization, integration, matching, or reconciliation of the sphere of work with non - professional life. Dynamic approach to WLB also assumes that organizations must conduct uninterrupted monitoring of the needs and expectations of employees and must make changes in the organizational activities in this area. It should be noticed that balancing work with personal life is usually referred to the family responsibilities, especially responsibilities connected with the fact of having little children that is why the notion of WLB is mainly addressed to women. However, it should be noticed that striving for balance in the area of work and personal life refers to all the employees, regardless sex, age or marital status. This assumption implies a broad look on the discussed phenomenon, not eliminating any workers from the circle of interest (e.g. men, singles or elderly people). Their rejection from the discourse about the balancing of the discussed areas of life could be understood as discrimination. WLB assumes the possibility of realization of the needs and desires of all employees, both in the area of private and personal lives, in line with their expectations and interest and possibilities of the organization. Moreover, for the candidates for the employees the declarations of the potential employers concerning possibilities of meeting these needs and expectations are significant decisive factor in a process of employer's choosing.

2. Work determinants of work-life balance in small and medium size enterprises

From the point of view of the organizations, keeping the balance between work and personal life of the employees allows to use the potential of the employees in the most efficient way. In this context, a very significant issue is what kind of organizational activities should be performed in order to help the employees to keep the balance in a way profitable for the employees as well as the employers. The argument for starting the activities fostering achieving of WLB is the fact that it results in measurable financial benefits. The employees who may achieve the work- life balance become more satisfied, which directly influences their productivity, absenteeism, cooperation and loyalty to the employer (Borkowska, 2004; Ratajczak, 2007). Moreover, activities supporting WLB of the employees allow to create positive image of the company as an employer, and in result allows to start cooperation with talented and valuable employees.

Recognition of the essence of the idea of shaping WLB by the organization requires the use of certain financial expenditures and organizational development, from the HRM area. In a group of such organizational activities, being potentially the important instruments allowing

to improve the quality of work and life, we may include WLB programs and family-friendly employment programs, which are directed to the employees having some family responsibilities. Implementation of the programs shaping the WLB is mainly dependent on the employer conviction that the programs may be useful and beneficial for the company. The employer should be also convinced that the construction of the program is faultless and acceptable.

It should be noticed that the organizational activities, based on a multifaceted WLB programs, including a wide range of benefits, are projects requiring financial outlays and organizational engagement. As a result, they are organized mostly by large organizations, in a good economic condition, in which the organizational culture stresses the care for the employee. They require organizational engagement in the process of identifying the employees' needs and adjusting the potential organizational solutions to them. Such programs are therefore treated as a kind of an investment in the image of the organization as the employer.

For most of the SMEs such activities go beyond their organizational capacity, the programs become unavailable and as a result, the issue of balancing work with personal life becomes marginalized, or completely neglected. Especially for this group of the organizations stressing the role of social work environment (understood as shaping positive employee's relations (Kaczorowska-Serafińska, 2011; Korpus, 2006)) as a factor determining the employees' WLB allows taking a low cost action in this area. Building of the positive relationships between the employees is connected with the necessity of understanding the importance of these issues by the company management and shaping the management skills supporting the employees in a process of dealing with such problems. Therefore, this process should begin with raising awareness of the employees to the meaning of the WLB issue, next it should include shaping the managerial competence in this area, and finally, it should be reflected in the managers decisions, referring to everyday behaviour of the employees.

The mentioned above behaviours are connected with cooperation between the employees in terms of work organization and organization of the working time, allowing to play the professional and personal roles successfully. None of these actions requires engagement of significant amounts of money. Moreover, in comparison with the static system solutions, such as work- life programs, shaping of the social work environment, which is sensitive to the workers' needs, allows to take individualized actions adequate to constantly changing employees' expectations. Very often only the employees' awareness itself about the employer's recognition of the worker's needs and about possibility to use the organizational solutions in a given area, has a positive influence on the sense of work- life balance. Therefore, the suggested solutions from social work environment are mainly intended for SMEs, and are the alternatives for formal solutions, such as work-life programs.

Since 2010, the authors of the article have been working on various aspects of the subject of WLB. The questionnaire study conducted in 2012 was aimed at analysing the WLB issues in general, focusing on the role of supervisors in shaping the employees' WLB (Robak and Słocińska, 2012). The next research was conducted in 2013 on the group of 875 professionally active people from the areas of Silesian Voivodeship, Łódź Voivodeship, Lesser Poland Voivodeship and Masovian Voivodeship, employed in production, trading and service companies of various size. The objective of this research was to analyse the meaning of social work environment for WLB. The researches were conducted with the use of questionnaire study technique and a survey. Studies were based on random sampling.

The results of the conducted researches proved that what influences the sense of WLB in a significant way is the social work environment, understood as formal relationships connected with the hierarchical and task dependencies, as well as informal relationships, based on personal contacts between the employees (Robak and Słocińska 2013). Positive evaluation of the relationships with the supervisors and co-workers is a reflection of the overall functioning of the organization at the social level, in which important and significant values are an employee and his needs, open communication, respecting of the workers' rights and friendly atmosphere in a workplace.

The research results confirmed the research assumption, that there are few factors which have significant influence on the employees' WLB. Firstly, there should be mentioned the supervisor's management style and the communication style. The open communication allows employees to communicate their needs connected with personal and professional life to the supervisor. It is connected with the fact that supervisors understand the personal and professional needs of the employee and at the same time employees represent assertiveness in terms of respecting his personal and professional needs and their defence in a situation of their threat in a workplace. Employees' assertiveness in formulating their own needs is connected with the awareness and knowledge of the employee rights and its observance by the employer. The knowledge of the company objectives and the importance of the job performer for their realization also help employees to define their satisfaction level. Another factor that influences employees' WLB is satisfaction with the atmosphere in a workplace and the relationships with the supervisors and co-workers. This relation reflects to worker's sense of safety connected with the possibility to get some help from the employer or supervisor in case of difficult life situations.

The employees satisfied with the relationships in their workplace show greater sense of harmony and control over their own lives. In the researches, it is highly visible that the role of the supervisor and his management style in the process of shaping the employees' WLB is crucial. Based on the analysis of the collected data it may be concluded that there are the two main extreme types of enterprises: one type of workplaces in which the social work environment fosters WLB and the sense of high quality of work. The second type of workplaces includes enterprises in which the social environment has negative influence on this aspect of work.

3. Conclusion, limitation and future study direction

In the analysis of the WLB issues as key organizational activities are indicated flexible forms and systems of work, that are part of the work-life programs. Such actions, although bringing many benefits, are only possible to implement in the form of formal solutions, primarily in large organizations. The specificity of SMEs restricts the use of these instruments of personnel management. However, the practice of SMEs operation indicates a broad potential for the development of WLB in the organization of working time arrangement's, based on informal support arising from the social work environment. These activities do not require a large investment of financial resources and their effectiveness as they depend mainly on:

- perceiving the employees through their subjectivity;
- building of the open relationships between the employees;
- supervisor's management style;
- regular monitoring of the employees' satisfaction and identification of the aspects influencing its level;

- developing the employees' skills, especially in the area of communicating his WLB needs to the supervisors;
- shaping the awareness and knowledge about the employee rights and their execution by the employer.

These aspects certainly do not cover a broad spectrum of issues and problems concerning the development of employees WLB in SMEs. The complexity of the presented issues indicates the need for further research studies in this area to gain additional insight into the problem.

References

1. Borkowska S. (2004): Praca a życie pozazawodowe, in *Przyszłość pracy w XXI wieku*, ed. S. Borkowska, Wyd. IPiSS, Warszawa.
2. Czarnecka A. (2014): Rozwój i doskonalenie jako czynniki kształtujące zaangażowanie pracowników, in *Psychologiczno-społeczne warunkowania zaangażowania pracowniczego* ed. D. Walczak-Duraj, „*Humanizacja Pracy*”, nr 3(277), p. 51-62.
3. Greenhaus J.H, Beutell N.J. (1985): Sources of conflict between work and family roles, *Academy of Management Journal*, Vol.10, No.1., p. 76-88.
4. Kaczorowska-Serafińska M. (2011): Dlaczego przedsiębiorcy powinni dbać o satysfakcję z pracy swoich pracowników? Satysfakcja z pracy – cz. I. „*Postera*”, nr 10(23).
5. Korpus J. (2006): Społeczna odpowiedzialność przedsiębiorstw w obszarze kształtowania środowiska pracy, *Wdawnictwo Placet*, Warszawa.
6. Kirchmeyer C. (2000): Work-life initiatives: Greed or benevolence regarding workers' time, W: *Trends in organizational behavior*, ed. C. L. Cooper & D. M. Rousseau, Chichester, UK: Wiley.
7. Michol-Zajda L. (2008): Godzenie życia zawodowego i pozazawodowego – poszukiwanie rozwiązań organizacyjnych i czasowych, in *Godzenie pracy z rodziną w kontekście aktywizacji zawodowej kobiet*, eds C. Sadowska-Snarska, L.Tchon, Wyd. Wyższej Szkoły Ekonomicznej w Białymstoku, Białystok.
8. Przewoźna-Krzemińska A. (2014): Aspekty motywacji wpływające na zaangażowanie pracowników w organizacji, in *Psychologiczno-społeczne warunkowania zaangażowania pracowniczego* ed. D. Walczak-Duraj, „*Humanizacja Pracy*”, nr 3(277), p. 75-90.
9. Ratajczak Z. (2007): *Psychologia pracy i organizacji*, Wydawnictwo Naukowe PWN, Warszawa.
10. Robak E., Słocińska A. (2013): Kształtowanie równowagi praca-życie wśród pracowników poprzez społeczne środowisko pracy, in *Jakość życia pracownika w perspektywie work-life balance?* ed. D. Walczak-Duraj, „*Humanizacja Pracy*”, nr 4 (274), p. 105-117.
11. Robak E., Słocińska A. (2012): Role of the Superior in Shaping the Work - Life Balance Amongst Employees, in *Majska konferencija o strategijskom menadzmentu*, Studentski simpozijum o strategijskom menadzmentu. Zbornik izvoda radova. Bor, Beograd.
12. Sadowska-Snarska C. ed. (2008): *Równowaga praca - życie - rodzina*, Wydawnictwo Wyższej Szkoły Ekonomicznej w Białymstoku, Białystok.

SELECTED ASPECTS OF PSYCHOLOGICAL ADAPTATION IN THE FAMILY IN THE FACE OF THE PROBLEM OF WORKAHOLISM

Ewelina CHRAPEK

Czestochowa University of Technology, Częstochowa, Polska

E-mail: ewelinachrapek@wp.pl

Summary: Workaholism as a phenomenon examined in theories of addiction is primarily associated with harmful consequences for the functioning of an individual. Along with the development of the psychological mechanisms of addiction, there are more and more difficulties in professional and personal life of a workaholic. These changes affect not only the addict, but also his or her environment, especially the family. Work gradually occupies a space that should be allowed for the family, causing not only the physical absence of the addict, but also the emotional alienation. A strong need to control, which is clearly realized in the area of professional activity, is also evident in interpersonal relations. As a result, relationships with family and friends largely come down to the verification and accounting for carrying out tasks and responsibilities. At the same time, perfectionism characteristic of the functioning of a workaholic overstates the standards and level of expectations in relation to family members. For children it means a risk of living under the constant pressure of tough assessment of a parent, and striving for being the best is associated with the only way to experience the attention and conditional acceptance. The situation of spouses of people addicted to work appropriately characterizes specific adaptation to workaholic behaviour, which in literature is described as codependency. It includes among others: taking over extra responsibilities which are not performed by a busy spouse, a sense of guilt enhanced by grudges of the addict, low self-esteem, lack of emotional satisfaction, loneliness.

Keywords: work, workaholism, addiction, family system, family members

1. Introduction

Overworking issues are more and more popular in the contemporary world. As Golinska points out, it is caused by factors such as:

- changes related to the progress of civilization which created favourable conditions for the development of new addictions, so called functional addictions, eg. internet, gambling, eating, shopping addiction, as well as work addiction (Golińska, 2013, p.118);
- the growing crisis within the family life that results in limiting the possibilities of meeting needs: security, intimacy, acceptance, love – fundamental needs accomplished by the family system. Work gives then the opportunity to experience something what was previously unattainable, ie. approval, appreciation, pleasure and satisfaction (Golińska, 2008).

Excessive engaging in professional activity does not necessarily mean the difficulty in psychological functioning. In the subject literature, we can distinguish at least several perspectives of understanding the problem of workaholism which are located at different points on a continuum from normal to abnormal. There are positions according to which workaholism results from „love for work”and, in this way, contributes to good health and happiness. Owing to work a person reaches a certain kind of mental health benefits, such as experience of significance and recognition and being responsible (Malinowska, 2014). On the other hand, workaholism as defined by dysfunction in psychological functioning is usually

presented in terms of addiction. Then, this is the specific set of symptoms which is visible e.g. in the form of characteristic psychological mechanisms of emotional regulation (Golińska, 2008). The result is the emergence of harmful effects on mental and physical health which affect not only a workaholic but also their surroundings. In this article, workaholism perspective is assumed in the theory of addiction.

2. Dysfunctional adaptation of workaholics' spouses

Professional activity usually is an essential value involving the protection of the family living needs. However, in a situation when commitment to work becomes excessive, as a result, it can lead to deprivation of basic needs carried out in a family, including emotional needs typical of marital dyad. Workaholic, because of their absence and/or unavailability, gradually withdraws from married life together, neglecting their duties and distancing themselves from arising problems. In the hierarchy of workaholic's values, marital relationship usually is in an inferior place to the career aspirations, which may result in the emergence of negative emotions and significant relationship disturbance (Golińska, 2008). The situation of workaholics' partners becomes complicated because of both high social assessment of working hard and a system of illusion and denial which with time may develop in partners and activity of which may sustain mechanisms of addiction (Mieścicka, 2002). Based on analysis of the 100 wives of workaholics, Robison pointed out the following characteristics of their functioning:

- a feeling of being ignored, unnoticed, unloved;
- assuming excessive responsibility for marriage and family accompanied by a sense of loneliness;
- a feeling of being neglected by a husband whose commitment to working life definitely surpasses involvement in family life;
- a sense of control and manipulation by a husband;
- initiating various attempts to attract husband's attention, e.g. by showing interest in his work;
- a sense of tension, effort and lack of spontaneity in a relation with a husband;
- a sense of being less important in the face of a husband being in the central place
- experiencing a sense of guilt in the situation of expecting from a husband something else than issues connected with his professional activity;
- a belief about low self-esteem originating from being compared to an admired by the environment husband;
- experiencing a clear discrepancy between the sphere of their own feelings such as grief, a sense of injustice, and position of environment indicating feelings of gratitude and pride in a husband (Robinson after Golińska, 2008).

Constantly repeating patterns of workaholic behaviours do not change despite the efforts of a spouse. With time, workaholics' partners who do not cope with increasing hostility and loneliness may experience clear physical and mental ailments (Kozak, 2009). At the same time, the most common are allergies, hypertension, ulcers, neuroses, depression (Mieścicka, 2002). It is worth stressing that not all studies confirm the negative impact of workaholism on the quality of a marital relationship (Malinowska, 2014). It is indicated by the need for caution in the interpretation of pointed relationships and their cause and effect connections. There is a possibility of the opposite direction of relation according to which excessive commitment to work is a way of compensation of unsatisfactory marital relationship (Golińska, 2008). The problem, therefore, requires further in-depth empirical testing.

3. Possible difficulties experienced by children of workaholic

Addiction of a family member affects the whole family system, causing essential changes in the dynamics of the processes occurring in this system. The imbalance concerning raising children may eventually lead to dysfunctional parenthood and considerable difficulties in the functioning of children. Workaholics most often grow up themselves in a family of abnormal patterns of interpersonal relationships which then they copy in relations with family and friends. Most often, they experienced appreciation and love in their families only in a situation when they worked hard for it. With high probability, they will repeat similar patterns of conditional acceptance towards their children. A child of a workaholic will therefore take serious efforts of „being the best,” so as to get at least a small token of appreciation and approval from a parent. However, when a child does not live up to unreasonable expectations, when they are not the best pupils, when they do not achieve successes and do not get prizes, they cannot count on signs of interest and enthusiasm, and they rather meet reprimand and cautions (Killinger, 2007). Contacts with a parent can be therefore constantly accompanied by anxiety and a sense of being controlled and evaluated. At the same time, a typical of workaholism perfectionism makes accomplishment by a child excessive standards that would satisfy a parent an extremely difficult task. It can intensify the ever-present sense of being imperfect hidden beneath the image of a perfect reliable, successful child. Robinson's research (Robinson after Guerreschi, 2005) shows that children of workaholic have a clear tendency to the self-critical attitudes and experiencing guilt. They know achievements of a perfect workaholic parent and internalize their patterns of functioning striving for achieving comparable standards. A significant threat to children of workaholics is therefore development of similar patterns of involvement in professional activity and, eventually, mechanisms of addiction to work. A factor that also increases the risk of dysfunctional behaviours in a workplace can be:

- hiding emotionalism by parents,
- lack of appropriate bond between a parent and a child,
- other difficult experiences in the early years of a child's life (Wojdyło, 2010).

Typical of this group of children is also a sense of over-responsibility with parents described as „parenthood” syndrome. It means taking over the duties of parents (e.g. the supervision of younger siblings) and excessive care and concern for their emotional comfort. At the same, the care the children take is inadequate to their age and capabilities, and takes place at the expense of their development needs. As a result, these children may become overly susceptible to environmental influences, satisfying their need for approval by fulfilling the expectations of others (Golińska, 2008). It is therefore understandable, as confirmed by the study of adult children of workaholics, greater likelihood of high level of anxiety, depression and difficulties in partnership (Guerreschi, after Robinson 2005).

4. Conclusions

Workaholism is an addiction that is not connected with embarrassment, but rather with recognition, social approval and prestige associated with high socio-economic status. External image do not tally with the consequences of developing mechanisms of addiction for the functioning of a workaholic and their family. Mechanisms typical of adaptation, described as codependency can with time lead to significant emotional problems and psychosomatic diseases. In the case of children, the consequences may also concern repeating in the course of the development of dysfunctional patterns observed in a parent and the effect of a bigger threat is establishing of workaholic behaviours in adult life. Workaholism is an addiction that requires taking therapeutic action. At the same time, the decision on starting a therapy may be

difficult due to the working system of denial, as well as associated with its adaptation functioning of a workaholic's family and strengthening resulting from a positive social assessment of commitment to work. An interesting suggestion about aid impacts directed towards workaholics may be the use of assumptions of the Eliss rational emotive behaviour therapy. This approach assumes the change of destructive cognitive patterns such as e.g.: „I have to be better in action than others”, „people may think I am lazy if I work fewer hours”. Moreover, a significant area of work towards change is to develop the skills of emotional control. The fundamental aim here is to replace the ways of unhealthy emotional regulation, the centre of which is professional activity, with the ways which are harmless for an individual. Also, the significance have behavioural impacts such as: leisure time spending without guilt, ability to passive rest and relaxation in the form of spontaneous entertainment (Killinger, 2007).

According to the assumption that a family is the system of interrelated parts, both an addict and their family and friends need therapeutic help. Spouses as well as children need influences in the field of psychoeducation and strengthening the skills of change of disadaptation forms of adaptation to arisen difficulties in the family system. Therapeutic measures directed towards partners should take into consideration, among other things, improving concentration on one's own and children's needs, taking the blame for excessive sense of responsibility, practicing open and direct communication as well as training in the field of dealing with difficult emotions (Killinger, 2007). Preventive measures addressed to those who are in a group of enhanced risk of addiction to work activities are also essential, e.g. to individuals from families:

- of abnormal patterns of communication,
- not realizing the needs of unconditional acceptance,
- where parents had problems related to addiction to work.

Prevention should also be relevant in a situation when commitment to work slowly intensifies and its dynamics becomes more and more threatening.

Reference:

1. Golińska L. (2008): Pracoholizm. Uzależnienie czy pasja, Difin
2. Golińska L. (2013): Dwie formy pracoholizmu w świetle dualistycznej koncepcji pasji „Przedsiębiorczość i Zarządzanie” 14/5 (1), p. 117 – 134.
3. Guerreschi C (2005): Nowe uzależnienia, Wydawnictwo Salwator
4. Killinger B. (2007): Pracoholicy. Szkoła przetrwania, Dom Wydawniczy Rebis
5. Kozak S. (2009): Patologie w środowisku pracy. Zapobieganie i leczenie, Difin
6. Malinowska D. (2014): Pracoholizm. Zjawisko wielowymiarowe, WUJ
7. Mieścicka L. (2002): Pracoholizm, Instytut Psychologii Zdrowia
8. Wojdyło K (2010): Pracoholizm. Perspektywa poznawcza, Difin

THE ECOLOGICAL AND SOCIAL COSTS OF ECONOMIC DEVELOPMENT AND THEIR INFLUENCE ON MANAGEMENT

Robert JANIK

Częstochowa University of Technology, Poland

E-mail: robertjanik@freenet.de

Summary: The process of European unification is successful in many areas but also faces a lot of problems and challenges. To the very important ones belong the social inequalities, unemployment and the destruction of nature. Thanks to the development of science and technology the creation of new economical activities in Europe is possible. They can help to create new possibilities for both, the solving of the ecological problems and to create jobs in many sectors of economy. The contemporary management should play a very important role in this process. Europe as one of the first continents which started the dynamic process of industrialization and destroying of nature can also be the first one to unite the contemporary economy with pro-economical activities. This would allow to connect the solving of social and ecological problems.

Keywords: unemployment, ecology, management, pollution, environment

1. Introduction

Since the end of the Second World War, the globe has been seemed to shrink rapidly, increasing the mutual relationships between its particular regions surprisingly quickly. As a result, over the past decades, the term „globalisation” has emerged, becoming a synonym for progress and prosperity for its proponents, while for its opponents it became a slogan for a reactive system of capitalistic exploitation. Despite the continual controversy concerning the term's origin and conditions of emergence, its procedural character and global influence on economics, as well as on the exchange of goods and information, is undoubted. (Giddens, 1993)

2. Global changes

The 21st century appears to be a particular time in the history of mankind. The processes commenced in the previous centuries are leading to a transformation of the style of life of mankind on an unprecedented scale. (Toffler, 1995) There are also positive achievements of civilization as evidenced by the elimination of certain illnesses, limitation of famine and the general if unbalanced technical development. (Kromołowski, 2014)

However, there is also a multitude of negative effects of running such policies as exploiting the natural resources of the Earth in a manner that is not thought out but rather more like plundering. “Large areas of the Earth’s surface, especially in arid and semi-arid regions, have been used for agricultural production for millennia, yielding crops for ever-increasing number of people. Concerns about the relationship between population growth and environmental degradation are frequently focused rather narrowly on aggregate population levels. Yet, the global impact of humans on the environment is as much a function of per capita consumption as it is of overall population size. For example, the Unites States comprises only 6 per cent of the world’s population, but it consumes 30-40 per cent of our planet’s natural resources. Global overconsumption and uncontrolled population growth present a serious problem to the

environment. Unless we are willing to change the underlying cultural and religious value structure that has combined with the social and economic dynamics of unrestrained capitalist accumulation, the health of Mother Earth is likely to deteriorate even further.” (Steger, 2009) Modern times are also characterized by a large dissonance emerging between the commonly declared slogans such as “human dignity” and “human rights” while the practices in force in many parts of the world greatly differ from these declarations. (Fukuyama, 2007) This refers to a large extent to the issue of military conflicts as well as social and ecological imbalance. (Akerlof and Shiller, 2009)

Another symptom of the changes reflecting the spread of globalization is the occurrence of “political integration”, whose symptomatic symbol could be termed as the process of unification in Europe. Likewise, in other parts of the world the processes of “integration” are emerging – as exemplified by the American continent. The emergence of large transnational structures in the shape of the European Union admittedly does not signify the immediate disappearance of nations, but does however constitute a major step in the direction of transferring elements of the previously held power from a national level to that of a supra-national level. This is accompanied by the awareness among citizens of belonging to a greater organizational structure that transgresses the previous national boundaries, as well as creating within a continent a European cultural community. It is necessary to mention the practical side of this phenomenon – migration flows, spreading of familiarity with foreign languages, mixed marriages, use of different systems of education, as well as the impact of mass cultures on the inhabitants of various countries. This leads to the erosion of the existing concepts of national states and the birth of new forms of ethnic and cultural identities.

In the logic of the integration processes, the shift of the burden from the centre to the lower organizational levels is a natural sequence of events. This particularly refers to those countries which consist of culturally “independent” provinces or possess significant ethnic minorities e.g. in the case of the EU there is a clear strife towards the passing on of some of the responsibility for decision-making and their realization in the case of the regions in question. This helps to release ethnic tension to a certain extent in the case of the occurrence of separatist trends in some countries.

The process of European’s unification process is in many areas successful but also faces a lot of problems and challenges. To the very important ones belong social inequalities, unemployment and destruction of the nature. “Transboundary pollution, global warming, climate change, and species extinction are challenges that cannot be contained within national or even regional borders. They do not have isolated causes and effects. They are global problems, caused by aggregate collective human actions, and thus require a coordinated global response. To be sure, ecological problems aggravated by globalization also have significant economic ramifications. Although these effects will be more significant for less developed countries than for rich countries, they will nonetheless affect all people and all nations. (...) They are economic, political, cultural but above all ethical issues that have been expanded and intensified by globalization processes.” (Steger, 2009 p. 90)

In contemporary times, we are also faced with the rich variety of production techniques – many of which are deemed to be “damaging for the natural environment” are in fact even tolerated by the same politicians who refer to the need to protect the “natural resources” of our planet. Much points to the fact that in the period of the industrial revolution an unwritten rule was created with regard to the priority of economic interests over the protection of the natural environment, thus facilitating the realization of policies of economic growth while ignoring the impact this has on nature to a serious extent. However true to say that the dramatic effects of degradation of the Earth’s resources finally forced the inclusion of ecological issues in the economic sphere, the practice of “choosing the lesser evil” is still very much in evidence today- the so-called situation of conflict between economic and

ecological interests, at the expense of the latter ones. "What is currently at stake is the conservation of the Earth and the biosphere, the thin layer that is the scene of all of life. Desertification, deforestation, erosion, ozone depletion, acid and the greenhouse effect are just a few of the threats facing us. Another spectrum is that of nuclear war, which would certainly be the end of everything. Human suffering and the destruction of Nature are everyday realities. At the same time, the call for action is becoming louder. Something must be done before Man effectively destroys the world; this awareness is gaining ground at all levels. (...) The question is: how can we turn the tide, how can we create and preserve a future for coming generations, with adequate scope for nature and a healthy environment?" (Brundtland. 1990, p. 9)

Significant changes have occurred over the last few years in the sphere of agriculture. The so-called „mad cow's disease" or foot and mouth disease showed the limits of industrial fattening of animals – the spongy degeneration of the brain is however only one of many possible dangers that are associated with the policy of maximizing profits in agriculture at all costs. Mass production of cheap food entails negative consequences for the health that are difficult to foresee - mainly due to the use of chemical substances in agriculture. The acceptance of genetically manipulated food on the market which has not been sufficiently tested in a process of long term tests would appear to be particularly controversial. It is also important not to forget about the ecological costs of mass fattening of animals. It is necessary to consider the sense of changing the form of production – perhaps working out a pro-ecological form of agricultural production which would take the form of producing healthy food that does not destroy the natural environment and would provide increased possibilities of employment. We should move away from large breeding farms which produce unhealthy food in a manner that is harmful to the environment. "Another significant ecological problem associated with population increases and the globalization of environmental degradation is the worldwide reduction of biodiversity. Seven out of the biologists today believe that the world is now in the midst of the fastest mass extinction of living species in the 4.5-billion-year history of the planet. According to recent OECD reports, two-thirds of the world's farmlands have been rated as "somewhat degraded". Half the world's wetlands have already been destroyed, and the biodiversity of freshwater ecosystems is under serious threat. Three-quarters of worldwide genetic diversity in agricultural crop and animal breeds has been lost since 1900. Some experts fear that up to 50 per cent of all plant and animal species – most of them in the global South – will disappear by the end of this century." (Steger 2009, p. 87)

Constructive steps on the road to improving the situation in agriculture are hindered by the „agrarlobby" which benefits from the current situation, which is witnessed not so much in terms of the numbers of citizens employed in agriculture as in terms of the economic and political potential at its disposal. Recently, there has been an increase in the significance of eco-tourism, whose services are availed of by an increasing number of health conscious people. Unhealthy living conditions that exist in large city agglomerations encourage people to search for alternatives both in the form of „healthy" holidays or a few days of rest e.g. on Saturdays and Sundays, while also in the form of changing lifestyles and way of living – evidence of this is shown in the increase of „green belts" in city areas. The afore-mentioned changes create new jobs and lead to the formation of healthier habits that are safer for the natural environment.

Laws to prevent environmental destruction should be connected with pro-ecological economic activities. This a very important source of the creation of new jobs. (Galbraith 1963) A very important issue is also the production of "clean energy", as an alternative to the "dirty" ones as well as to the nuclear energy. There is still a large amount of unused social and economic possibilities that are hidden in "unconventional" sources of energy – or in other words, its production in hydroelectric, air and solar power plants. These constitute a significant

alternative with relation to the traditional methods of power production – mainly atomic and coal powered power plants. Because of the relative small size of Europe the care for the environment should be a particular important issue on the continent.

3. Keynesianism

John Maynard Keynes (1883-1946), the author of “The general Theory of Employment, Interest and Money” (1936) is known as the creator of the concept of economic interventionism and the “father of welfare state”. This outstanding scientist is considered to be a co- founder of microeconomics, he created a new concept of economic cycles and regarded dynamics of capital investment as the main factor eliminating the influence on market demand. (Harrod, 1972) J. M. Keynes economic concepts included far-reaching social implications- he advanced the view of economic interventionism; he was convinced that the free market should be controlled by government. This scientist had a great impact on the shape of economics in Great Britain. As an economist Keynes was in favour of improving the living conditions of the poor which also was of vital practical importance. “When men are unemployed, society does not miss the goods they do not produce. The loss here is marginal. But the men who are without work do miss the income they no longer earn. Here the effect is not marginal. It involves all or a large share of the men’s earnings and hence all or a large share of what they are able to buy. And, we note, high and stable production is the broad foundation of the economic security of virtually every other group – of farmers, white-collar workers, and both large businessman and small.” (Galbraith 1963, p.165)

A kind of a so called Keynesianism in the area of social life and environmental protective economical activities could change the to-day situation within the EU for the better.

The important macro-political moves by EU member countries which have an influence on the liquidation of unemployment and the development of the process of integration can be listed as follows:

- Continuation of unification of EU law;
- Expansion of the common trading policy;
- Intensification of efforts for the creation of the common market by abolishing restrictions in the movement of goods, people, services and capital between EU member countries;
- Carrying out a common social policy in the EU;
- Supporting the construction and expansion of communication routes in Europe; cooperation in the area of agriculture and fishing;
- Working out a system that prevents counterfeiting by criminal gangs;
- Making contributions towards maintaining the high level of healthcare in the EU, strengthening industrial competitiveness in the EU – among other methods, by the implementation of new technologies;
- Subsidizing research and technological development;
- Unifying policies in the area of aid for developing countries; intensifying efforts for the improvement of consumer protection;
- Common activity in the sphere of energy, prevention of catastrophes and the expansion of communication routes.

A particular area of activity in welfare states should be efforts aimed at preventing the negative effects of the process of globalization. Many proposals have been repeatedly offered by governments of particular countries aimed at the elimination of the possibilities of various abuse- both on the part of particular producers and on the part of states themselves. (Drucker 1993)

Maintenance of the established social standards as a result of international agreement forcing capitalists to take responsibility for the businesses run on the countries of their choice – mainly by adhering to legal and tax systems. Without questioning the sense of such a step it is important to note that in present times the failure to take any measures comes in conflict with western states which have possibilities at their disposal to force economic magnates to run a more pro-social form of economic activity.

Firms that focused on profit apply the concept of „moving capital”, which means moving the production to countries where they have access to a cheaper workforce and greater tax grace. More detailed analysis indicates that this is by no means the end of the moving capital – very frequently products made in this way are returned to the mother country (for the particular firm) with the aim of selling the goods there as the place where the goods originated does not usually have appropriate dynamics of purchasing power - due to poverty of those societies. This is connected with the fact that western countries are still the most powerful market, which makes them attractive for various producers. If such a procedure was not possible the western countries instead of receiving such products with open arms would block their access to the market by indicating the dishonesty of such practices and firms with moving capital would in the fear of losing profits be definitely more careful about making decisions to move production facilities abroad.

Regardless of the use of these possibilities of action the developed countries should strive to reduce the costs of production, as these amounts are often associated with the need to finance various undertakings in the form of „additional costs” – e.g. social care. Aside from this, it is important to add that the amount of earnings of employees in western Europe is not very economically motivated relatively speaking – it is influenced by other factors- e.g. tariff conditions. (Janik, 2011)

4. Conclusions

Thanks to the development of science and technology, the creation of new economical activities in Europe is possible. (Bylok, 2013) They can help to create new possibilities for both, the solving of the ecological problems and to create jobs in many sectors of economy. The contemporary management should play a very important role in this process. Europe as one of the first continents which started the dynamic process of industrialization and destroying of nature can also be the first one to unite the contemporary economy with pro-economical activities. This would allow to connect the solving of social and ecological problems.

References

1. Akerlof G.A., Shiller R.J, 2009: *Animal Spirits*, Princeton University Press, Princeton and Oxford
2. Brundtland B., 1990: *Green Development in the 1990s*, New Horizons Press, New York
3. Bylok F., *Chosen Aspects of Managing Social Capital in Enterprises*, in: *Modern Management in the 21st Century. Theoretical and Practical Issues. Monograph.* Eds. Iveta Ubreziiova, Elena Horska. Publishing house: Garmond Nitra, Nitra 2013
4. Drucker P. F., 1993: *Post – Capitalist Society*, Harper Business, New York
5. Fukuyama F., 2007: *After the Neocons. America at the Crossroads*, Profile Books, London
6. Galbraith J. K., 1963: *The Affluent Society*, Pelican Book, Great Britain
7. Giddens A., 1993: *Sociology*, second edition, Polity Press, Oxford

8. Harrod, R. F., 1972: *Jahn Maynerd Keynes*, Middlesex: Pelican Books
9. Janik R., 2011, Political and Economic Context of the Debate on „Human Capital” within the EU, in: Bylok F., Cichobłaziński L.: *The Role of Human Capital in Knowledge Based Management*, Częstochowa: Politechnika Częstochowska
10. Kromołowski H., 2014, *Best Practices in Public Hospital Crisis Management*, in: *Management and Managers Facing Challenges of the 21st Century. Theoretical Background and Practical Applications*, red. F. Bylok, I. Ubreziova, L. Cichobłaziński, Wyd. Godollo, Hungary
11. Steger M. B., 2009, *Globalization*, Oxford University Press, Oxford, New York
12. Toffler A. a. H., 1995: *Creating a New Civilization*, Turner Publishing, Inc. Atlanta

EUROPEAN SOCIAL FUND IN THE PERSPECTIVE 2014-2020 IN POLAND. NEW CHALLENGES FOR HUMAN RESOURCE DEVELOPMENT

Katarzyna TRACZ-KRUPA

Wroclaw University of Economics, Wroclaw, Poland

katarzyna.tracz@ue.wroc.pl

Summary: The subject of this article is the main instrument of the European Communities social policy, i.e. European Social Fund (ESF) in the new 2014-2020 perspective. The main purpose of the publication is to present new challenges for human resource development for Poland in the new programming period. At the beginning, the European Social Fund was presented in certain phases of growth. Then the concept of human resource development is explained. In the further part, the new programming period 2014-2020 is described. The last part discusses the Operational Programme responsibility for all ESF interventions in Poland in 2014-2020 and it lists the challenges for Polish human resource development. Considerations of the paper are based on the review of Polish and foreign literature studies from the field of the European Social Fund and development of human resources.

Keywords: European Union, European Social Fund, human resource development, Poland.

1. Introduction

For many years a growing interest in the EU funds has been noted. The funds could be obtained for widely understood investments in human capital. Poland, being a full-fledged member of the Union, has also become a recipient of the financial assistance, which serves the implementation of the European cohesion policy. A fundamental instrument of social policy of the European Communities, whose intervention aims are long-term and long-range, consisting of investment in human capital linked to the improvement of competitiveness of regions and growth of entrepreneurship, is the European Social Fund. It is an instrument of the modern human resource development policy with a focus on contributing to achievement of socio-economic cohesion.

Poland, in the first programming period 2004-2006, received 12,8 billion Euro, which represented more than half of the EU funds for the ten new Member States. In the financial perspective for the period 2007-2013 Poland with the amount of 68 billion Euro became the largest beneficiary of the EU funds among all the Member States of the European Union. In the newest period 2014-2020, Poland will receive 82,5 billion Euro from the cohesion budget. In this context, a question arises about the importance of the European Social Fund as an instrument of human resource development. Thus, the main subject of interest in this article is the European Social Fund (ESF), and the main purpose of this article is to present new challenges for human resource development for Poland in the 2014-2020 programming period.

2. European Social Fund - the phases of growth

The European Social Fund (ESF) is one of the five European Structural and Investment Funds (ESIF). The European Social Fund (ESF) was created in 1958 on the basis of the European Economic Community Treaty as the first structural fund of the European Communities (European Commission, 1958). In the initial period the ESF was to increase the chances of obtaining work in the community by promoting employment and increasing the mobility of

workforce. Starting in the sixties, the ESF has evolved many times adjusting to the changes in the economic and social cohesion policy and according to the broader social policy of the EU that mainly concerned employment (Grewiński 2003).

From the very beginning of the functioning the Fund focused on the creation of mechanisms to support development of the labor market. The original idea was to support the national labor market policies. On the basis of the subsequent reforms the actions of ESF began to incorporate the transnational objectives (Kubisz 2001). To a large extent the role of the Fund resulted from the establishment of the European Regional Development Fund (ERDF) in 1975, which took over the tasks related to the promotion of economically backward regions (Auleytner 1997).

The years 2000-2006 were a new activity period for the ESF. Its entire potential was joined on the level of all Member States in order to implement the priority tasks of the European Employment Strategy. The fundamental pillars of the Strategy were: improvement of employability, development of entrepreneurship, improvement of adaptability of businesses and their employees. The ESF was to support the Member States of the European Union in the field of implementation of modern, active employment policies and the systems aimed at providing financial support for the up-skilling of workers (Sobotka 2001).

On the basis of Regulation 1784/1999/EC of the European Parliament and of the Council of Europe on 12 July 1999, *the Fund shall support actions oriented to prevent and counteract the unemployment and to develop the human potential and social integration of the labor market, to promote the growth of employment, equal opportunities for men and women, harmonious and sustainable development and economic and social cohesion. The Fund shall support actions within the implementation of the European Employment Strategy.* The European Social Fund is therefore a fundamental instrument of the structural policy of the European Union, which is to serve the implementation of the employment policy and development of human resources.

3. Theoretical concept of employee development and human resource development

For the clarity of considerations presented in this article, it is necessary to explain the key concepts such as employee development and human resource development. In Polish literature on the subject there is no agreement as for the one, common definition of the concept human resource development (HRD) or employee development. The term employee development was defined by T. Listwan as one of the first Polish researchers. According to Listwan it is *the process of preparation to carry out tasks and occupy positions of greater complexity and responsibility* (1998). This reflects the narrow approach to HRD in which development is treated as an element of personal activity.

Different point of view holds J. Strużyna who considers human resource development as a concept which is tightly linked to the subject of human resource management, yet it is not equivalent. According to the researcher human resource development, has exceeded the traditional functions of human resource management and entered the field of a specific type of management style (OD) (2008). Through the review of foreign literature Strużyna argues that HRD developed simultaneously with human resource management, creating three main research areas: organizational development, career development, training and employee development. It is the exemplification of a broad approach to development of human resources.

In the English literature there are two terms regarding the above described development of human resources: employee development, which is equivalent to a narrow approach to employee development (Garavan et al. 2008, p. 615) and human resource development (HRD), which reflects the broader definition of human resource development (Garavan,

Costin & Heraty, 1996). The author of this article, pointing to the challenges of the new programming period 2014-2014, included both the narrow and the wider context of human resource development.

4. New 2014-2020 programming period in the European Union - main areas of support

In 2014-2020 European Union will have allocated more than 80 billion euro into the European Social Fund. Its allocations amount to 24.8% of the Structural Funds budget. The main tasks of the ESF in current period consist of support of the following priorities:

1. promoting employment and supporting labor mobility;
2. promoting social inclusion and combating poverty;
3. investing in education skills and lifelong learning;
4. enhancing institutional capacity and an efficient public administration.

Within the tasks of the first Priority, the ESF will support organizations around the EU to put in place projects focused on training people and helping them obtain employment. Initiatives supporting entrepreneurs with start-up funding and companies that need restructuring or lack qualified workers will also be financed. Helping young people enter the labour market will be the top priority for the ESF in all EU countries. Within this Priority a great emphasis is placed on combating youth unemployment.

The second Priority relates to the social inclusion, which is strongly connected with employment as the most effective way of giving people independence, financial security and a sense of belonging. The ESF will continue to finance many thousands of projects that help people in difficulty and those from disadvantaged groups to get qualifications and jobs and have the same opportunities as others.

The Priority number three is equal to better education. Across the EU the ESF is financing initiatives to improve education and training and ensure young people finish their education and get the skills that make them more competitive on the job market.

The last Priority emphasizes stronger public administration. The ESF will support Member States' actions to improve the quality of public administration and governance and so support their structural reforms by giving them the necessary administrative and institutional capacities.

5. Polish European Social Fund Operational Programme in 2014 - 2020

Member States transfer the objectives included in the documents of the EU onto the local ground in the form of relevant entries in the Operational Programs (OP), which break down the overarching strategic objectives agreed in the Partnership Agreement into investment priorities, specific objectives and further into concrete actions.

In the 2014-2020 perspective the whole intervention of ESF will have been taken over by the Operational Programme Knowledge Education Development (OP KDG) and the Youth Employment Initiative (YEI), whose total value amounts to EUR 4.689 billion of which EUR 4.436 billion is from the EU budget including EUR 252 million from the Youth Employment Initiative. This operational Programme will support measures in line with the priorities of the Europe 2020 Strategy to guarantee smart, sustainable and inclusive growth. Investments will cover the following main areas:

- promoting sustainable and quality employment and supporting labour mobility;
- promoting social inclusion and combating poverty;
- investing in education, skills and lifelong learning;
- enhancing institutional capacity and efficient public administration.

The main beneficiaries of the planned actions are: central government bodies, territorial self-government bodies and municipalities, courts and judiciary institutions, social partners and relevant civil sector organisations (Ministry of Infrastructure and Development, 2014).

One of the major challenges connected with the field of Human Resource Development which Poland has to face in the current programming period are:

1. Undertaking long-term development activities by the SME sector. The research conducted by PARP (Polish Agency for Enterprise Development) indicates that only 12% of enterprises in Poland have development strategy (PARP, 2010) and 26% of medium-sized enterprises have a strategy for human resource development. Therefore, effective use of the EFS funds for employee education and training on the regional level requires implementation of educational actions addressed to management staff and owners of enterprises.
2. Implementation of complex solutions based on demand approach allowing for quality assurance and monitoring of the services offered by training institutions. The results of studies show that the policy of human resource development in SME should on one hand, make easier access to training for the enterprises which want to invest in their staff and on the other hand, it should increase the level of demand for development services of enterprises which so far have not been interested, do not see such need nor are they aware of such services benefits which in fact are directly linked to their development. The above measure should take into account both microeconomic dimension and structural – macroeconomic.
3. Making equal access to lifelong learning for adults, including those with low skills. Poland among other European Union countries is negatively distinguished by the adults' low level of qualification and engagement into expanding and filling qualifications after completion of formal education. The percentage of people aged 25-64, participating in formal and informal education in Poland equals 21% and that is lower by half compared to the 41% average for the OECD countries.
4. Support of cooperation between universities and businesses, strengthening the pro-employment role of higher education. In Poland, the percentage of people aged 30-34 who completed higher education is among the highest in Europe, at the level 40.5%. The percentage of unemployed graduates with higher education equals 22% . It is necessary to strengthen the involvement of employers in the education process and the implementation of high-quality internship programs (Ministry of Infrastructure and Development 2014).

6. Conclusions

Studies on the literature of the subject suggest the growing importance of the European Social Fund as an instrument of human resource development. For the 2014-2020 programming period the following results will have been expected:

- the most disadvantaged persons in an especially difficult situation on the labor market will have a greater chance to actively enter the labor market;
- ESF funds will contribute to reduction in the level of unemployment, to support youth employment and creation of micro-enterprises;
- owing to the ESF interventions people on the labor market and those entering it will have the skills matching to a greater extent the needs of employers;
- interventions undertaken by the ESF will improve conditions for running a business, including enhancement of the business environment of enterprises and improvement of strategic management quality.

References

1. Auleytner, J. (1997): *Polityka społeczna – teoria a praktyka*. Warszawa: WSP TWP.
2. European Commission, (1958): *Treaty Establishing the European Economic Community*.
3. Garavan, T., Costine, P., Heraty, N. (1996): The emergence of strategic human resource development. *Journal of European Industrial Training*, Nr 19(10), p. 4–10.
4. Garavan, T., Wilson, O., Cross, Ch., Carbery, R.(2008): Mapping the context and practice of training, development and HRD in European call centers. *Journal of European Industrial Training*. Tom 32 (Nr 8/9), p. 612–728.
5. Grewiński, M. (2003): *Przygotowania Polski do absorpcji funduszy strukturalnych Unii Europejskiej*, Warszawa: Instytut Europejski.
6. Król, H., Ludwiczynski, A. (2006): *Zarządzanie zasobami ludzkimi, tworzenie kapitału ludzkiego organizacji*, Warszawa: Wydawnictwo PWN.
7. Kubisz, M. (2001): *Europejski Fundusz Społeczny – szansa i wyzwania dla Polski*, Warszawa: MPiPS.
8. Listwan, T. (1998): *Kształtowanie kadry menedżerskiej firmy*. Wrocław: Wydawnictwo Kadry.
9. Ministry of Infrastructure and Development, (2014): *Program Operacyjny Wiedza Edukacja i Rozwój 2014-2020 PO WER 2014-2020*. http://www.efs.2007-2013.gov.pl/2014_2020/Documents/POWER%20_zatwierdzony_przez_KE_122014.pdf.
10. Pocztowski, A. (2013): *Zarządzanie zasobami ludzkimi*. Warszawa: Polskie Wydawnictwo Ekonomiczne.
11. Polish Agency for Enterprise Development, (2010): *Inteligentne organizacje-zarządzanie wiedzą i kompetencjami pracowników*. Warszawa: PAED.
12. Regulation No 1784/1999 of the European Parliament and of the Council of 12 July 1999.
13. Sobotka, K. (2001): *Zasady korzystania z funduszy europejskich na rzecz rozwoju zasobów ludzkich*, Łódź: Instytut Europejski.
14. Strużyna, J., Bratnicki, M., Majowska, M., Ingram, T. (2008): *Rozwój zarządzania zasobami ludzkimi*. Katowice: Wydawnictwo Akademii Ekonomicznej.

AN ANALYSIS OF THE IMPLEMENTATION STAGE OF THE PROFESSIONAL TRAINING PROGRAMMES IN SMES IN DOLJ COUNTY

Mădălina Camelia OLTEANU (ADAM), Alina Eliza DABIJA

University of Craiova, Romania

E-mail: cami_olteanu83@yahoo.com

Summary: The European work legislation stipulates that employers are obliged to organise periodical training programmes. In some countries, these regulations are even more clearly defined; in France, for example, the financial and legal systems include some compulsory contributions of the enterprises, used for professional training, depending on the number of employees (as a percentage of the gross salary amount). In practice, however, many SMEs do not fulfil this obligation or do it only formally, so as to stay within the legal framework. In Romania, in practice, if we consider an average of last years' empirical studies, only 60% of the SMEs provide training for their employees, and out of those those which allocate resources to training, even fewer (almost 55%) also evaluate their training programmes' results, by a follow-up monitoring process. This article includes a field research which uses a questionnaire on training, completed by a balanced sample of SMEs in Dolj County. The questionnaire includes several variables – the training as a growth factor, the employers' awareness of the legislation, planning and identification of training programmes based on real needs, practices specific to training implementation in SMEs, training as human resource performance index, use of governmental/European funds for own employee training. The results of the research confirm some of the data found in previous studies. It also brings additional information on the causes of this phenomenon, regarding the obstacles met in the process of training implementation and of accessing external funds for training programmes.

Keywords: work legislation provisions, training programmes, follow-up process, external funds and performance improvement.

1. Introduction

There is an increasing empirical literature on the effects of training on performance improvement worldwide: starting with first contributions (Holzer et al, 1993) on the impact of training on the scrap rate, continuing with relation of training hours per employee and firm productivity in France or Sweden (Ballot, Fakhfakh and Taymaz, 2002) or with the relation between training intensity and establishment productivity in Germany (Zwick, 2006). In Romania there are few empirical studies on this topic and they were edited before 2010 (edited by The Institute of Education Sciences, in 2008 and 2009); those who treat the training in SMEs are even rare or they are disparate chapters of some periodical surveys (e.g, White Charts of SMEs). Through the present research, we want to continue the initiative of some previous studies, applying it to local SMEs acting in a dynamic context that needs constant research and renewed strategy.

2. Methodology

The sample of companies that participated in this study was chosen by two criteria: the number of employees (more than three) and a minimum of one year experience. We give an empirical argument for this choice: we have noticed that in practice a SME initiates a strategy for human resources development only when the owner of the enterprise (who most of the time is self-motivated) is joined by another 2-3 employees who begin to request attention,

motivation, training and constant evaluation. Also, a deeper analysis of training data may be realised only if the enterprise has at least one year of existence (or a balance sheet submitted). For our analysis we have created a questionnaire structured by 33 open and closed items and we have sent it to a number of 60 SMEs from Dolj county, which met simultaneously the two criteria; then, we have received 30 questionnaires completed. Simultaneously, we had interviews with decisions factors of eight of the enterprises in the sample target, in order to validate the investigation's results on the relevance of planning, implementing and evaluating the training programs.

Each of the four sections questionnaires includes an approximate equal number of questions. The first section contains general questions on the frequency of training programs and employers' perception on training relevance. The second part investigates the role of training from compulsory provision to motivational factor for employees – from employers' perspective. The third section probes the link between training and performance improvement and the last one gathers data on the degree to which employers use training. The questionnaire combines qualitative questions using Likert scale with open questions and control key items. The SMEs in this study act in different field activity (from constructions to manufacture of machineries for metalurgy to software), their turnover varies between 210.360 lei and 37.534.395 lei and the number of employees varies between 3 and 179.

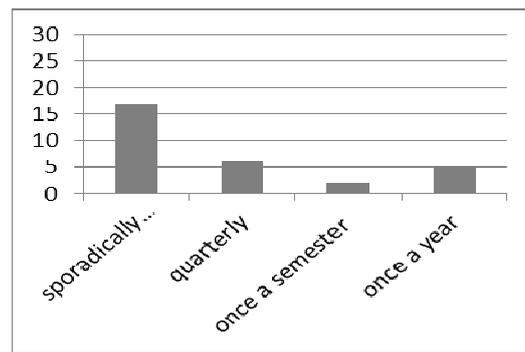
3. Results and discussions

3.1. Results regarding the specific role of training in the core business and frequency of training programs

The total number of hours of training conducted during 2014 per employee varies between 10 and 83 and the medium is 28 training hours/year/employee. Twenty six from the 30 SMEs studied have implemented training programs for their employees in the last year, but the percentage invested in training of the turnover on 2014 is very low, it varies between 0,1% and 5% and the medium percentage is 1,16%. The frequency of training programs implementation in mentioned enterprises (not only for the last year) is represented in the Figure no.1.

In what concerns the planning of the training actions, only 7 of 30 responding SMEs answered that their initiatives are based on an annual training plan. The topics of the trainings were generally based on technical aspects of the SMEs main activities and only 26% of them approached soft skills training such as communication. The themes were established – in descending order of importance - by evaluating employee performance (20 respondents), by studying programs accessed by other competitors or partners (4), by assessing business needs (2) or other reasons (2 answers). This question embedded an important key answer that was not suggested through the alternative answers (e.g., the choice of training due to business needs) and the fact that two of respondents gave this answer confirm that the SMEs management is aware of some of the appropriate training identification techniques. In the same time, the question suggested deliberately an incorrect solution through other options and the fact that four of the respondents are establishing training themes only by emulation (market trend) suggests that other part of managers/owners cannot differentiate the scientific tools for identification of training needs by non-scientific one. And this might be the cause of the perception of training results' impact as *important* instead of *very important*, because a mistake done in the IANT phase might have effects of the follow-up phase.

Figure 1: Frequency of training



Source: authors' data analysis

Then, we have tried to find out what type of training is addressed most frequently by the local SMEs studied and we had the following results:

- Training in the workplace (12 respondents out of 30, meaning 40%);
- Individual Training (punctual assignment of each individual for courses, depending on the needs identified – 11 respondents out of 30, meaning 36,66%; some of these respondents have also chosen the above mentioned answer);
- Training outside the workplace, organized by specific departments/ functions (3 respondents out of 30, meaning 10%);
- Non-formal training, e.g teambuilding - organized as a reward rather than as an instrument to improve performance (0 respondents).

These results prove the fact that the local SMEs studied prefer to optimize the investment in training by doing it internally rather than by outsourcing. Also, the fact that SMEs no longer organize teambuilding trainings might be an effect of the global economic crises that influenced the training budgets.

3.2. Results regarding the specific role of training as a motivational factor for employees

3.2.1. Motivation of employees by involving them in training process

This section contains also 7 items that give us an outlook of the training approach seen either as a compulsory legislative provision or as a motivational factor. The first question is trying to investigate the employers' willingness to organize training programs as a result of the initiative or the specific request of their employees. Thus, training programs proposed by the employees are organized: usually by 3 of them (10%), often by 2 of them (6,66%), sometimes by 9 (30%) and never by 5 (16,66%) and 11 provided no answer. In what concerns the legislation represented by the Labor Law in Romania, employers have the following compulsory provision: "If participation to training on the employer's expenses was not provided for employees aged up to 25 years during an entire year, respectively, for employees aged over 25 years during two consecutive, then the employee is entitled to up to 10 working days off for training, paid by the employer." From the SMEs studied 5 of them find this provision restrictive (16,66%) and 18 of them find it simulative (60%); the others 7 gave no answer. Also, we tried to prove George Odiorne's statement applied by Kirkpatrick, according to whom *If you want those affected by a change to accept it, give them a feeling of ownership* (Odiorne, cited by Kirkpatrick, 2008, pp.77). Thus, when the employers were asked if their employees are directly involved in the creation/optimization of training programs, they provided the following answers: 5 of them totally agreed (16,66%), 15 of

them agreed (50%), 2 were indifferent about the topic (6,66%), 4 disagreed on it (13,33%) and other 4 gave no answer (13,33%).

The respondents consider in their majority that employee career promotion was influenced by the continuing vocational training programs they attended: 3 of them totally agreed (10%), 20 of them agreed (66,66%), 2 of them were indifferent about the topic (6,66%), 1 disagreed (3,33%) and 4 gave no answer (13,33%).

In this section we investigated also the employers' perception of the trainees' satisfaction degree with the training programs. This marks the first level of training assessing impact according to Kirkpatrick's four-level revised model (Kirkpatrick, 2008). Twenty nine of the 30 employers think that their employees were satisfied with the training delivered, one gave no answer. The interesting aspect is that none of them stated the employees were very satisfied with the training delivered.

3.2.2. Evaluation and follow-up of the training programs in SMEs

We discovered that 60% of the SMEs representatives established some methods for training evaluating program in their company while 40% state that there are not applying any methods or very few. Five of the respondents (16,66%) state that they don't use any kind of evaluation methods. Those who responded positively that they applied some assessment methods after each course to measure the impact, expressed following options, in descendent order of importance: labor productivity measurement (17 responses, 56,66%); measurement of progress achieved after a period of time (in the field of the course) through scientific models (e.g, ROI, Kirkpatrick) – (5 responses, 16,66%); written evaluations of employees a while after completion of the course (4 responses, 13,33%); monitoring staff turnover rate – 1 response, 3,33%. Going further, in order to find out the causes of this phenomenon, we asked why they think some courses are not followed by an evaluation process. The options of those who answered were the following: the company's management does not require explicitly an assessment – 6 responses (20%); lack of time – 6 responses (20%); the evaluation is a very difficult process – 6 responses (20%); the cost is too high – 6 responses (20%); it is not relevant for the business – 1 response (3,33%); other response – 5 responses (16,66%).

At the end of this section we wanted to see what is the most important level of a course evaluation for employers, using the well-known Kirkpatrick model: 1) Reactions of participants – 2 responses; 2) Learning itself - meaning the knowledge and skills acquired by the participants – 12 responses; 3) Behaviour at work - after completing the program – 3 responses; 4) Results generated from behaviour change and their impact on the organization core business – 13 responses.

Their answers prove that employers have a good knowledge or intuition of the most relevant aspect of evaluation, meaning level 4 of the Kirkpatrick model, which is represented by tangible and intangible results of training on the organization. The next section of the research investigates further that if the awareness of the most relevant level of training assessment is really applied by employers, meaning if they really measure the outcomes or if they conduct observing/monitoring initiatives in the enterprise.

3.3. Results regarding impact of training on performance improvement

Twenty five of thirty respondents (83,33%) think that there is a direct link between increased overall enterprise performance and implementation of these training programs. Only 16,66% of them believe that there is an insignificant relation or a weak dependence relation between training and performance. In continuation of this idea 26 of them (86,66%) assess the impact of training programs conducted in 2014 on employee performance (in terms of innovative

initiatives, improving a product/process) as being high or very high. Also, through a control question we had the confirmation that 90% of the respondents who organized training programs think that labor productivity has improved after employees have attended training programs. We discovered the aspects that have been improved/ have decreased after completing training programs in 2014, namely: increase in turnover– 12 responses; increased satisfaction at work– 9 responses; decreased costumers complaints– 5 responses; increasing sales volume – 5 responses; less products with defects – 4 responses; decrease staff turnover rate – 2 responses; less waste / raw material consumed – 2 responses.

All those who organized training in 2014 (26 of 30 respondents) consider that participants were able to implement what they have learned, back to their workplace. Only 3 of the respondents (10%) consider not appropriate the investment in training, based on the balance of the results (measurable and non-measurable) and the total costs of training.

3.4. Sources for financing employees training

In the final section of our empirical research we tried to find out in what measure the local employers access external funds for employees training. The obstacles discovered could explain why only 3 of them accessed specific funds until the moment. Twenty respondents of thirty have acknowledged from a list of options only the financing program POSDRU 2007-2013 (more specific, the State aid scheme for training). Only 5 of the respondents (16,66%) have recognized other grant schemes for this topic, from a list of options. The obstacles to accessing external funding programs for employees training were in descending order (*discovered through a question with multiple choices): difficult implementation process of projects (17 responses); lack of information to the general public (8 responses); transparency of the Management Authorities of the financing programs (7 responses); the way projects are being evaluated (7 responses); the idea is not within the guidelines priorities that he/she knows about (2 responses); there was any suitable grant scheme opened in 2014 (1 response). We wanted to keep alternative thinking in case we would discover the local employers do not organize training programs by their expense. Thus, we have asked who should pay for employee training programs and they concluded that both the employee and the employer (a co-payment system)– 10 responses (33,33%).

The last question wanted to investigate the strategic thinking of employers by putting them to envisage the measures should be taken and by whom, for SMEs to access government or European funds for developing their human resources. First two of them were: better correlation between Management Authorities / Ministry of European Funds and banks offering loans for co-financing programs (11 responses) and more advertising on funding programs (8 responses).

4. Conclusions and further developing

This study emphasize the direct relation between training and performance improvement in local SMEs in Dolj county; SMEs organize periodical training especially on technical topics, most of them not using a previous training plan. Still, the good impact and the increase of productivity might be explained by both good intuition of identification needs techniques and direct supervision of training courses (given that 40% of them choose to organize it at the workplace). The low degree of fund accessing for training (10%) might be corrected through a set of proactive measures (some of them suggested by the respondents), taking into consideration that 90% of SMEs would like to organize further training programs for employees.

5. Acknowledgements

This work was co-financed from the European Social Fund through Sectoral Operational Programme Human Resources Development 2007-2013, project number POSDRU/159/1.5/S/140863, Competitive Researchers in Europe in the Field of Humanities and Socio-Economic Sciences. A Multi-regional Research Network.

References

1. Ballot G, Fakhfakh F, Taymaz E (2002): Who benefits from training and R&D: The firm or the workers?, "*ERC Working Papers in Economics*", 02/01.
2. Institute of Education Sciences (2009), Continuous training in Romania, Ed.AFIR, Bucharest
3. Kirkpatrick D.L, Kirkpatrick J.D (2008): Evaluating training programs. The four levels, third edition, Berrett-Koehler Publishers, San Francisco
4. Zwick, T. (2006): The impact of training intensity on establishment productivity, "*Industrial relations*", vol. 45 (1), p.26-46

KNOWLEDGE SHARING BEHAVIOUR AND DEVELOPMENT OF SMALL AND MEDIUM-SIZED ENTERPRISES

Anna SŁOCIŃSKA

Częstochowa University of Technology, Częstochowa, Poland

E-mail: slocinska@wp.pl

Summary: Modern organizations operate in an environment of constant change, even as some researchers and theorists of management indicate, in terms of chaos. In this situation, the crucial factor, which determines the survival and development, is organization flexibility (agility). This feature of the organization is based in large part on the reservoir of knowledge that is immaterial resource. Organizational knowledge can be of different origin. Considerations included in the study focus only on the knowledge possessed by each employee. In this context, the behaviour based on the exchange of knowledge between employees could provide an inexhaustible source of knowledge that might contribute to the development of the organization. This problem is particularly important in relation to the of small and medium-sized enterprises (SMEs), which, due to economic limitations, to a greater extent than large organizations have to rely on the resources of employees' knowledge and their relations with the environment.

The aim of the article is to indicate the importance of knowledge sharing behaviour for the development of SMEs.

Keywords: knowledge, sharing knowledge behaviour, attitudes to work, SMEs,

1. Introduction – discussions about knowledge

Present day interest in knowledge as an asset that is creating the supremacy of a given organization, economy, or society is a continuation, or rather a re-discovery of the thesis claiming that knowledge is the basis of civilization and economic development. Although the notion of knowledge and in a result - innovation, is as old as human civilization, the concept of „society of knowledge” or „knowledge-based economy” is relatively new. Initially knowledge and its accumulation caused a creation of new inventions, discoveries and technological achievements corresponding to the human needs. Present day availability of various knowledge assets created a situation in which the inventions overtake the human needs and expectations, and in some cases even create them (Cichobłaziński and Słocińska, 2009). It is more common that what decides about the company value, according to the stock exchange, is not a tangible asset, but real potential measured as knowledge available for the company. As an example here may be used the organizations from IT sector, or e.g. training or consulting companies. Therefore, analysis of the processes of creating knowledge and its flow becomes one of the most important problems of modern economy and modern enterprises.

With reference to the flow of knowledge, it seems to be a key factor to create a network of contacts among various knowledge centres (individuals, organizations and institutions). Organization itself can be also understood as a social net of action (Czarniawska, 2013, p.61). In these, net impulse spreads in a flash. If this impulse is a knowledge or information it means that functioning of the net gives the access to quick information and almost unrestricted recourses of knowledge what plays a vital role for the organization success.

Modern meaning of knowledge is an effect of timing the countries, economies and organizations to development and reaching gradually better results. In case of organizations, it becomes more common to use the term of knowledge management. Its interpretation is an effect of acceptance of a particular organizational strategy and it is a clarification of the term of knowledge itself.

Knowledge is often confused with the similar terms such as data, information, or wisdom. Encyclopedic definitions of knowledge oscillate around the claim that knowledge in its narrow understanding is generally reliable information with reality together with the ability of using it, but knowledge understood broadly, is a general collection of information, skills, experiences, beliefs, etc., to which the cognitive, or practical value is added. It may even include superstitions, but also a vision of world included in the religious systems and systems of value. (Czarniawska, 1999)

The basic term connected with knowledge is data. It should be understood as a collection of independent, separate facts and events. Data are essential for organizations functioning, but itself they do not need any inherent meaning. Most of the organizations use special methods of gaining, gathering, ordering and transfer of data. In order to do this, special complex information systems are used. Nevertheless, data are only starting materials for decision-making process. In order to have the possibility to draw the conclusions on reality, it is necessary to have the possibility to analyse and interpret data. Here emerges the category of information understood in fact as transfer of information. In this frame, there are two elements important: sender and recipient. Information changes the perception of the recipient, his way of perceiving facts and events, which influences his evaluation of situations and behaviours. In this meaning, "information is data, that makes the difference"(Cichobłaziński and Słocińska, 2009). Opposing to data, information is characterized by relevance and purpose.

According to Davenport and Prusak (2000) knowledge is a shaped set of experiences, values, information, referred to the context and insight, which is the basis for evaluation and acquisition of new experience and information. Therefore, this process is initiated and occurs within human minds. Knowledge exists within people, and is developed by them. According to the idea of Nonaka and Takeuchi (2000, p.23) people do not obtain knowledge in a passive way; they interpret and adjust it to their own situation and perspective. Within organization, knowledge is stored not only in documents, or special databases, but also in the organizational routines, processes, practices and norms. As it may be noticed, knowledge is directly linked with the notion of organizational culture, in which it is encoded. Norms, values or network interconnections and relationships as the elements of organizational culture, include elements of organizational knowledge as well. This type of individual knowledge stored in the minds of employees, based on subjective effect of personal intuition and feeling, is more difficult or even impossible to be formalized.

2. Levels of the knowledge-flow

Transfer of knowledge may be considered according to the two aspects. The first one is knowledge transfer between the organizations (cooperating, or competitive) or between the organization and environment, particularly social, cultural, institutional in the local, national, continental and even global dimension. In this group of knowledge transfers there should be included the flow of patents, licenses, mainly in the technical and technological aspect. The second dimension is connected with the flow of knowledge within an organization. It is important here to focus on particular employees, their aims and interpersonal relationships, fostering or limiting the flow of knowledge, as well as inter-organizational factors (tangible and intangible), that foster these processes.

Knowledge is treated as a kind of an asset in the organization, which is an element managed according to the management rules to the same extent as the remaining assets of a given organization (Probst, Raub and Romhardt, 2004). This thesis is true taking for granted that knowledge is identified with the possibilities of using information, especially the technical ones. Accepting broad understanding of knowledge as a factor characteristic for people, their experience, undergoing the process of constant changing of context, the approach to the knowledge management as an asset seems to be very difficult, if not impossible to be applied. Dynamic approach to knowledge is inseparably connected with people. This apparently clear statement requires additional explanations. In the organization the people possess and use knowledge, being the carriers of this asset. Sharing knowledge behaviour can be called an engine of exchange and creating knowledge processes (Lin, 2008). However acceptance of new knowledge is often inextricably linked to the need of abandonment of already held beliefs and what was obvious (Cichobłaziński, 2013). Knowledge sharing behaviour is a first step to knowledge transfer, which is one direction action, but yet the final and most desirable phase is knowledge exchange what reflects to knowledge seeking action (Wang, Noe, 2010).

Nonaka and Takeuchi claim that management of the knowledge exchange is like a football match. The ball does not move in any specific, orderly way. The ball movement is a result of common play of the team members. It is influenced by the place, direct experience of the players, their attempts and mistakes. It requires arduous and intensive interactions among the team members (Nonaka and Takeuchi 2000). It has to be noticed that individual knowledge expands while being shared – in this way a transfer from individual to organizational knowledge occurs (Davies, Stewart and Weeks, 1998). Organization cannot produce knowledge itself, without individual initiatives of the employees and mutual relationships between them.

3. Meaning of knowledge sharing for small and medium- sized enterprises

According to the trends in management, as well as an idea of knowledge management, organizations should have non-hierarchical, self-organizing structure and they should (Nonaka, Takeuchi 2000):

- be more flat than their hierarchical predecessors,
- be more dynamic, rather than static,
- foster building of close relationships within an organization and relations with customers,
- emphasize competence – unique experience and skills,
- consider knowledge and intellect as the most causative operation tools.

The above characteristics are mainly related to the sector of small and medium- sized enterprises (SMEs), nowadays dominating in the structure of world economy. Their sizes, regardless the branch they operate in, cause that establishing interpersonal relationships and understanding of the rules of functioning of the whole organization is easier than in case of large enterprises. Then the employees in a specific way understand the goals and needs of an organization and have significantly better insights of the location of knowledge within the organization. Information about knowledge possessed by other employees is often obtained as a result of informal interactions, within or beyond the nets (Wang and Noe, 2010), that are more common in SMEs. Location of such knowledge- centers is very important, because SMEs often do not dispose sufficient financial assets in order to obtain, purchase knowledge from the company environment. That is why it becomes significant to diagnose and monitor the reservoirs of the employees' knowledge, in order to have the possibility to use knowledge, if necessary.

Nevertheless, the level of the reservoir SMEs' employees' knowledge becomes a source of trouble. As knowledge is mainly based on the personal experience of a given employee, which regardless its value, cannot be referred to the latest technological innovations. In such situations a specific type of knowledge is required – knowledge based on personal relationships with other individuals- employees from the outside of the company. By means of them, the organization may acquire knowledge necessary for realization of the current tasks, or future programming. Solutions of this type are very rarely used in case of large enterprises, which are mainly based on formal contacts and hierarchical dependencies. Employees of SMEs often have the right to make autonomous decisions and resolve current problems. It is caused by the fact that selection of the personnel is rather based on trust, not pure qualifications. However, it must be noticed that just trust has been recognized as a crucial factor of sharing knowledge behaviour (Lin, 2007).

In this group of enterprises, it is also much easier to make some changes, even the radical ones, as the employees all the time function as if they were in a phase of thawing and they are ready for changing the direction of their activities. It is a result of an increased instability of SMEs performance.

The fact, that they do not have the leading position, make the SMEs to constantly look for new solutions allowing to develop themselves and reach their competitor. As a result, these companies are not loaded with arrogance and self- admiration, which is more typical for some of large organizations that win the race with rivals. Fear against failure make the SMEs to work harder on creating better rules concerning services, products and processes. Therefore, employees' behaviours from the area of knowledge sharing are perceived, and realized in a different way in case of SMEs than in case of large enterprises. While creating behaviours of this type, a key role is played by the management- the owners of an organization, often having the managerial functions. They are facilitators of the processes of knowledge exchange among employees (Słocińska, 2011). Nevertheless, the lack in knowledge concerning the awareness of the meaning of knowledge and its flow may block the flow of information between the employees and environment, at the same time negatively influence the development of an organization.

4. Conclusions

It should be noticed, that there is not many research results on creation of knowledge within organization and knowledge exchange among the employees. The basic assumptions realized by the theoreticians and practitioners in the area of knowledge management are obtaining, growth and using of already existing knowledge. There should be also highlighted a significant role of modern information technologies.

Organizations should transform, evolve and develop together with the knowledge flowing through them. Therefore, organization should not only process knowledge actively, but also produce it. At the same time, the members of an organization have to go over the passive attitude and become active advocates of knowledge and innovations. In case of sector of SMEs, with reference to the advantages of a simulating of sharing knowledge behaviours, there should be included: autonomy of the employees in the area of decision-making, agreement to experiments as a problem solving method and non-routine actions as well as close interpersonal relationships fostering building of trust. SMEs limitations in the area of knowledge acquisition in a process of knowledge sharing, are mainly the results of the limited own knowledge resources of a given organization (not many employees, poor qualifications), functioning rather on the basis of a survival strategy, not according to the strategy of development, propensities to literal duplication of action schemes realized by other

organizations and convincing the members of the company management staff that their decisions are infallible.

References

1. Cichobłaziński L. (2013): Mediator w sporach zbiorowych jako doradca organizacyjny – perspektywa narracyjna, „*Problemy Zarządzania*” Vol.11, No 3(43), p.61-72.
2. Cichobłaziński L., Słocińska A. (2009): Knowledge Management, Handbook, Politechnika Częstochowska.
3. Czarniawska B. (1999): Organization Theory as a Literary Genre, Oxford University Press, Oxford.
4. Czarniawska B. (2013): Trochę inna teoria organizacji. Organizowanie jako konstrukcja sieci działań, Wydawnictwo POLTEXT, Warszawa.
5. Davenport T. H., Prusak L. (2000): Working Knowledge, Harvard Business School Press, Boston, Massachusetts.
6. Davies N.J., Stewart R.S., Weeks R. (1998): Knowledge Sharing Agents over the World Wide Web, „*BT Technology Journal*” Vol. 16, No 3, p. 104-109.
7. Lin C.P. (2007): To Share or not to Share: Modeling Tacit Knowledge Sharing. Its Mediators and Antecedents, „*Journal of Business Ethics*”, Vol. 70, p.411-428.
8. Lin C.P. (2008): Clarifying the Relationship Between Organizational Citizenship, Behaviours and Knowledge Sharing in Workplace Organizations in Taiwan, „*Journal of Business and Psychology*”, Vol. 22, p.241-250.
9. Nonaka I., Takeuchi H. (2000): Kreowanie wiedzy w organizacji. Jak spółki japońskie dynamizują procesy innowacyjne, Poltext, Warszawa.
10. Probst G., Raub S., Romhardt K. (2004): Zarządzanie wiedzą w organizacji, Oficyna Ekonomiczna, Kraków.
11. Słocińska A. (2011): Importance of Manager as a Facilitator to the Processes of Knowledge Exchange [in:] F. Byłok, L. Cichobłaziński (Eds.) People and the Value of an Organization, Wydawnictwo Wydziału Zarządzania Politechniki Częstochowskiej, Częstochowa.
12. Wang S., Noe R. A. (2010): Knowledge Sharing: A Review and Direction for the future research, „*Human Resource Management Review*” Vol. 20, p. 115-131.

EXAMINATION OF THE ATTITUDES TOWARDS ATYPICAL EMPLOYMENT FROM THE PERSPECTIVE OF SLOVAK AND HUNGARIAN UNEMPLOYED

József POÓR^{1,4}, Tímea JUHÁSZ², Imre MADARÁSZ¹, Zsolt HORBULÁK³, Ingrid SZABÓ⁴, Imrich ANTALIK⁴, Ildikó Éva KOVÁCS¹, Miklós DÚS¹, Györgyi GÁBRIELNÉ TŐZSÉR¹, Szergej VINOGRADOV¹, Fawzi Mohmed MUATAZ¹, Csaba KOLLÁR¹

¹Szent István University, Gödöllő, Hungary

²Freelancer, Budapest, Hungary.

³Alexander Dubček University of Trenčín, Trenčín, Slovakia

⁴J. Selye University, Komárno, Slovakia

E-mail: poorjf@t-online.hu

Summary: Employment is today one of the crucial questions, since the crisis started in 2008, its impulses expressed their impacts among others in the labour market. A series of job losses and cost reductions induced greater rationalization and flexibility of employment. One of the features of that is the fact that the perception of atypical employment has recently undergone a transformation. The figures of the Hungarian Central Statistical Office show, inter alia, that these forms of employment are increasingly in the focus of interest of employers and areas of application are broadened, furthermore their frequency increases. Similarly to the employer, the workers will see new perspectives in atypical solutions, but of course the question is how the employees' attitudes are formed and how these opportunities determine expansion. This study summarizes the partial results of a research carried out in the past few years. The study, based on a survey conducted among the unemployed basically examined attitudes of this social group towards atypical forms. The research was conducted in two countries simultaneously, namely in Slovakia and Hungary, and provided the opportunity to discuss the issue from different angles. The current specification is for examining whether there is a difference between the opinions of the Slovak and Hungarian unemployed in regard to atypical work.

Keywords: Employment, unemployment, atypical employment, Hungary and Slovakia

1. Summary of the literature

The Hungarian literature of atypical - non-traditional forms of employment can be regarded as relatively rich. Already in the nineties appeared some studies on the concept clarification and interpretation - including Laky (1998) and Frey (2000), and in the next few years, economists analysed the possibilities and limits of the spread of atypical forms. Publications of the last decade examined the opportunities of atypical work from the perspective of employment policies. Laky (2002), Frey (2000) and Seres (2010) presented the international experience and benefits of atypical employment and stressed the need for its spread. Looking at the labour market effects of atypical work Köllő - Vince (1999) and Scharle (2000) found that in addition to the increase in unemployment in the new forms did not appear to be an alternative to jobs, and the dissemination of atypical forms of employment was a relatively slow process. Structure and spread of atypical employment are excellently presented by Hárs in his study which covers two decades (2012) and presents besides the summary of the international and national literature as well as a concept description the results of research on the impacts of participation in atypical work on households and regional characteristics. Teréz Laky (2000), provides a brief economic-historical overview of the continuous change of employment, defines the various forms of atypical employment, points out the international differences,

describes the conditions of the dissemination of each single form in Hungary. In recent years, several studies have examined the spread and role of non-standard forms of employment in the labour market. The Research of the Department of Sociology and Social Policy of the University of Debrecen, (Rév, 2010) was carried out in the service sector. Ékes (2009), analysed part-time, fixed-term contracts, as well as the incidence of self-employment forms in Hungary and the European Union and attempted to outline the future of atypical employment. Atypical work, but more flexible forms of employment have attracted the interest of Slovak economists as well. Not just theoretical writings, but research results have also been published on the issue. This topic appeared in literature for the first time in 1992, when the attention was called to the psychological context of atypical employment (Zelmanov 1992a), respectively, this time it was done in social context. Then, for a long time the problem occurred rarely. A paper mentioned the specifics of agricultural employment (Buchta, 1994) another one dealt with atypical employment contracts (Barancová 1998). In 2005 a study was born on trends in Slovakia. (Hanzelová, E. - Kostolná, Z. - Reichová, D) The real breakthrough, however, comes from the 2010's. Scientific papers appear on the legal background of the shared workplace (Mičudová 2011), and on the shared workplace itself (Mičudová, 2013), on working conditions of the typical and atypical jobs and on the significance of flexible work (Grenčíková - Španková, 2014). Conferences are also devoted to the problem (Factors of making the workplace more flexible in Slovakia from the perspective of the family and integration into the social system, Banská Bystrica 2014). Relevant presentations are also given on other conferences, which examined the atypical employment relationships (Bačišín, 2013) or atypical forms of employment and social security relations among others. (Macková 2014) There are instances for the analysis of the theme in terms of the regional employment. (Pšenková 2014)

2. Presentation of the research

2.1. Sample

As already mentioned, the research was carried out last year. The interviews took place in Hungary in the Offices of the Central Transdanubian Regional Employment Service in Komárom and Esztergom, while in Slovakia in the offices of the Labour- and Social Affairs and Family Centre in Komarno and Sturovo. The reasons for the choice of the place were that people in the study (the unemployed) are concentrated in large numbers in these areas. Another reason for the choice of the place of the examination was that the questionnaires were to fill out by individuals living certainly in the area whereas the local Labour Centres register the unemployed according to their residence.

On the structure of the questionnaire can be said that it basically consisted of closed questions based on nominal and metric scales. The questionnaires were filled out on paper, and the data were subsequently processed by using SPSS and Excel format. The evaluation methods were typically univariate and multivariate tests, including frequency, average, standard deviation, and cross-table analysis, independent sample T-test, factor -and cluster investigations.

The current study focused on proving the following hypothesis: Presumably, Slovak and Hungarian unemployed in the sample, typically representing different attitudes of atypical forms of perception and this influences their decisions regarding the acceptance of atypical employment opportunities.

The research involved 689 people attended, but actually those who declared themselves unemployed (i.e. those who were at the moment of the research not working), were only 279 people, so this sample number was used in the evaluation. The current sample cannot be regarded to be representative because of its numerousness, either.

2.2. Research results

From the 279 respondents there were 133 Slovak, while 146 people Hungarians, so the proportion of participants of two countries were relatively close to each other (47.7 and 52.3). In terms of gender, 38.7% of men and 61.3% of women participated in the study that means the proportion of women was more than one and a half times more compared to men.

According to the age of 30 years of age to 35.4% in the 30's age group, 27.8%, and then 40 years of age, 36.8% were in the research.

On the basis of marital status the highest proportion of single people and married people were represented, the former rate of 38.2%, while 33.1% of the latter, however, had the lowest proportion of widows at 1.5%.

Based on the educational attainment in the sample 25.2% is the proportion of basic qualification holders, 28.1% of those with secondary education without maturity diploma, 32.5% of maturity diploma holders, while 14.2% of university graduates.

Regarding the previous jobs the respondents had to provide where they previously worked. The table below shows the previous employments:

Table 1: Previous employments

Previous employment	Number/Head	%
Day labourer	3	1.2
Top manager	4	1.6
Lower-level leadership	7	2.7
Mid-level manager	9	3.5
Casual worker	14	5.4
Individual contractor	16	6.2
Public employment	16	6.2
Unskilled worker	40	15.6
Skilled worker	40	15.6
Subordinate staff	108	42.0
Altogether	257	100.0
Missing	22	
Total	279	

Source: Authors' own research

The above figures show well that a very small % of the respondents were employed in top manager positions and the same refers to day labourers as well, while the respondents worked in largest proportion as employees before losing their jobs. 60.3% of the respondents had heard of atypical employment opportunities. The investigation revealed that in this aspect there was a significant difference between the Slovak and Hungarian respondents, i.e. according to Pearson's Chi-Square: 11.352 df :1: sign: , 001, $p < 0.05$. While 50% of the Slovak respondents were aware of atypical employment, in the case of Hungarian respondents this percentage was 70%, however, a Cramer V index showed a not strong correlation between the two variables: Cramer V: .204 sign.: .001, $p < 0.05$.

During the examination, the questionnaire asked about the expectations of the participants concerning a future work. On a 5-grade Likert scale, respondents had to answer questions on the importance of considerations. Number 1 stood for not at all important things, while for 5-very important one. Table 2 summarizes the results for the given aspects

Table 2: What do you expect from any future work? (Average; Diversity)

Aspects	Average	Diversity
Career opportunities	3.89	1.215
Appropriate payment	4.75	.736
Good working atmosphere	4.49	.840
Appropriate coordination of family and work	4.44	.967
Appropriate coordination of work and free time (sport and entertainment)	4.07	1.188
Coordination of work and learning	3.50	1.364
Appropriate working conditions	4.58	.713
Interesting and meaningful work opportunities	4.43	.889
Opportunity to swap for an 'ordinary' position	4.45	.919

Source: Authors' own research

The evaluation of responses shows that the respondents' main considerations were payment, good working conditions and good work atmosphere. There is a high average in the case of the work-life coordination that is likely to justify that nowadays the quality of life issues are increasingly important, and tend to become a major concern as an aspect of the work-life coordination from workers' point of view. Perhaps due to the fact that really sample focused on people who were truly out of work career option among the respondents received less priority. With the help of an independent sample t-test it was examined whether the given variables differed in respect to the Hungarian and Slovak respondents. In the case of three variables no significant differences of opinion were justified concerning good working atmosphere, appropriate payment and coordination of working and learning. Looking at the other variables in the two countries, respondents had significantly different opinion.

The majority of the respondents regard the atypical ways of employment as temporary solution, except the Slovak respondents in regard to temporary agency work and public work. Slovak respondents accept the former one in higher proportion for long-term, while the latter would not be accepted by the majority. Casual work and public work have low "popularity" with the Hungarian respondents while considering the Slovak respondents temporary agency work and public work are the least popular. The Hungarians would mostly accept temporary agency work on long term, or they would work as teleworkers while the Slovaks prefer contracts with labour hire firms. The Chi-square test showed no significant disagreement on the part-time (Pearson's Chi-square 1.7 df 2 ∴ sign, 428 p> 0.05) between the respondents however it does in the case of the other atypical variables.

Finally, the research asked the opinion of the respondents why they thought people tended to opt for non-standard solutions. There were three possible answers to be chosen: "no other choice", "it has some advantages," and because "I do not think they accept." The distribution of answers given by the respondents is shown in Table 3:

Table 3: Distribution of answers on the reasons of acceptance of the different atypical forms of employment by country

	Country	No other choice	There are certain advantages	I think it will not be accepted
		%	%	%
Casual work; day work	Hungarian	85.4	13.1	1.5
	Slovak	37.8	61.4	.8
Part time work (less than 8 hours per a day)	Hungarian	57.8	40.6	1.6
	Slovak	18.4	81.6	.0
One-season commitment	Hungarian	61.2	34.9	3.9
	Slovak	18.5	78.2	3.2
Telework commitment; telecommuting	Hungarian	42.4	51.2	6.4
	Slovak	12.7	84.9	2.4
Contract with labour hire firms; agency work	Hungarian	59.7	37.2	3.1
	Slovak	18.7	80.5	.8
Sales agent with independent contractor's certificate	Hungarian	52.0	39.4	8.7
	Slovak	15.4	79.7	4.9
Participation in public work	Hungarian	60.9	35.2	3.9
	Slovak	35.5	55.6	8.9

Source: Authors' own research

3. Conclusion

The study presented some results of a research taking place in the past year. The hypothesis formulated during the surveys can be regarded as accepted. The research could highlight the typically different views of Slovak and Hungarian respondents on "non-standard" forms of employment.

It is a fact that the majority regards these atypical forms of employment as temporary solution. Considering the chances of acquisition of a normal work the majority assumed a neutral impact. The largest proportion of Hungarian respondents were those who basically evaluate these forms as necessity solutions (except for teleworking), while the majority of the Slovak respondents had seen even the beneficial side of them as a motivational factor in terms of the adoption of these options. It is an important message from the research that generally the respondents would have adopted these solutions in higher proportion either temporarily or on long-term, than those who would have refused which also indicates that regardless whether due to necessity or even to the benefits the penetration of these forms even from the side of the employees is gradually opening.

A contradictory attitude towards atypical jobs is shown by the fact that the respondents found "people in general" would accept such opportunities, but personally they would decline them.

References

1. Baboš, P. (2013). Pracovné podmienky v typických, netypických a veľmi netypických zamestnaniach na Slovensku: mapovacia štúdia, "Prognostické práce", 5(3), pp 175-197 .
2. Bačišín, V. (2013). *Atypické pracovné vťahy na trhu práce. Vybudovanie laboratória makroekonomických analýz a prognóz. Vytvorenie excelentného pracoviska ekonomického výskumu pre riešenie civilizačných výziev v 21. storočí.* February 14, pp 1-6 CD-ROM. – Bratislava: EKONÓM,

3. Barancová, H.: (1998). Atypické zmluvy v pracovnom práve, "Práca a mzda" 46 (7-8), pp. 21-24.
4. Buchta, L.: (1994), Agrárna nezamestnanosť – bevýchodisková stratégia alebo prechod k stabilizačným trendom? "Hospodárske noviny", 2(137), p. 5.
5. Determinanty využívania flexibilizácie práce v SR z pohľadu rodiny a ich implementácia do sociálneho systému, Konferencia (2014). *Conference of Univerzita Mateja Bela Banská Bistrica*: March 25, 2014..
6. Ékes, I. (2009). Az atipikus munka és jövője. "Munkaügyi Szemle", 53(1), pp. 66.
7. Frey, M. (2000). A munkaidőrendszerek rugalmassá válása, "Közgazdasági Szemle", 47 (12), pp.1008–1026.
8. Grenčíková, A., Španková, J. (2014). Význam flexibilných pracovných vzťahov. "Sociálno-ekonomická revue", 12 (1), pp.15-24.
9. Hanzelová, E., Kostolná, Z., Reichová, D. (2005). *Atypické formy zamestnanosti na Slovensku: minulosť a súčasnosť. Rodina a práca, Stredisko pre štúdium práce a rodiny*, Bratislava, Apríl.
10. Hárs, Á. (2012). *Atipikus foglalkoztatási formák Magyarországon a kilencvenes és a kétezres években. Budapesti Munkagazdaságtani Füzetek*. Budapest: Magyar Tudományos Akadémia Közgazdaság- és Regionális Tudományi Kutatóközpont Közgazdaságtudományi Intézet, Budapesti Corvinus Egyetem Emberi Erőforrások Tanszéke.
11. Köllő, J., Vincze, M. (1999). *Self-employment, Unemployment and Wages: Regional Evidence from Hungary and Romania*, BWP 1999/7.
12. Laky, T. (1998). Változó fogalmak a munka változó világában "Közgazdasági Szemle" 45(2), pp. 123-136.
13. Laky, T. (2000). *Az atipikus foglalkozásokról*.
<http://people.mokk.bme.hu/~kornai/laky/Cikk/atipikus.pdf>
14. Laky, T. (2002). *Munkaerőpiac Magyarországon 2002-ben*.
<http://econ.core.hu/doc/mt/2003/hun/laky.pdf>
15. Macková, Z. (2014). Atypické formy zamestnania versus sociálne zabezpečenie. Zamestnanosť a jej sociálno-ekonomické súvislosti v európskom priestore. *Conference Proceeding, Veľký Meder, May 15-16*, pp 249-263 (CD-ROM) – Bratislava: EKONÓM.
16. Mičudová, T. (2011). Delené pracovné miesto v novelizovanom Zákonníku práce. "Dane a účtovníctvo v praxi". 16(11), pp. 23-26.
17. Mičudová, T. (2013). Delené pracovné miesto (job sharing), "Daňový a účtovný poradca podnikateľa" 18(10), pp. 147-154.
18. Pšenková, J. (2014). Sociodemografická a pracovnoprávna analýza potenciálu tvorby pracovných miest v regióne Horná Nitra. *Sociálno-ekonomická revue*, 12(1), pp.70-78.
19. Rév, A. (2000). *Atipikus foglalkoztatás a szolgáltató szektorban. In: Muszájságok. Munkavállalási és munkakeresési hajlandóság az alacsony foglalkoztatási szegmensekben. Tanulmánykötet. Debreceni Egyetem Szociológiai és Szociálpolitikai Tanszéke*
http://szocanszek.unideb.hu/tart/palyazat/Innotars/Dokumentumok_files/Zarokotet.pdf
20. Scharle, Á. (2000). Önfoglalkoztatás, munkanélküliség és családi kisvállalkozások Magyarországon, "Közgazdasági Szemle" 47 (3), pp. 250–274.
21. Seres, A. (2010) A részmunkaidős foglalkoztatás tendenciái és terjedésének tényezői az Európai Unióban és Magyarországon, *MTA KTI Műhelytanulmányok*, 10.
22. Zelmanová, L. (1992a). Atypické zamestnania a ich psychologické účinky, "Otázky práce", 3(4), pp. 4-5.

MANAGEMENT OF PUBLIC SERVICES IN LOCAL GOVERNMENTS WITH THE EXAMPLE OF THE CITY OF CZĘSTOCHOWA

Tadeusz WRONA

Czestochowa University of Technology, Czestochowa, Poland

tadeuszwrona7@gmail.com

Summary: This study discusses the problems of management of public services in local governments provided by budgetary entities and commercial law companies. Based on the author's own experiences, the analysis focused on the services in terms of housing and public transportation. The opportunities for the use of the systems of quality management, environmental management and work safety in the area of services managed by local government of the city of Czestochowa in Poland were also emphasized. The analysis of owner supervision of the local government over municipal companies was also carried out in the context of the most recent results of control in local governments.

Keywords: local government, organization and management, municipal management, management systems

1. Introduction

Implementation of commonly available public services and continuous improvement in their quality is the most important mission and essence of activities in local governments. Meeting collective needs of the local government community belongs to internal tasks of “gminas” (gminas are principal units of territorial division in Poland), and, in order to perform them, gminas are allowed to establish organizational entities, especially in the form of budgetary entities, budgetary institutions and commercial law companies (limited liability companies, joint stock companies, limited partnerships and partnerships limited by shares), conclude contracts with other entities, also together with other local government entities.

Gminas are allowed to establish commercial law companies outside the area of public utility and join these companies only if the needs of the local community are not met in the local market and the unemployment present in its area significantly affects the standard of living of its inhabitants as well as when disposal of the municipal property that might represent non-financial contribution of gmina to the company or managing this property in another way causes a substantial loss for the gmina.

The basic characteristic of public services is responsibility of public administration for organization of services in a manner that ensures its continuity and stability. This means that service recipients can be certain about constant meeting of their collective needs, regardless of the economic conditions (Miszczuk, Miszczuk and Żuk, 2007).

A key problem in the field of providing public services by local governments is their ability to make analyses of unit costs and determine quality parameters that are related to these costs (Borowiec, 2007).

Quality of performance of public services can be determined through evaluation of their efficiency, effectiveness and availability using the measurements of the indices that correspond to the subject of services (Wańkiewicz, 2004).

Public services concern a broad range of categories as shown in Table 1.

Table 1: Classification of public services

Groups of public services	Categories of public services
Administrative services	Issuing documents at the request of a customer, excluding administrative decisions, permissions and concessions
	Introduction to the register (database) of the data obtained directly from customers
	Issuing permissions and decisions as defined by the Administrative Procedure Code
	Issuing permissions and concessions connected with business activity regulated by the state
Social services	Health care
	Education
	Culture
	Physical culture and recreation
	Social assistance and care
	Housing
	Public security
Technical services	Transport: services and infrastructure
	Water management: water supply and wastewater piping
	Waste management and maintaining order and cleanliness
	Cemeteries
	Energy supply (power supply, gas supply, heat supply)
	Public greenery

Source: (eds Zawicki, Mazur and Bober, 2004).

2. Public services: management and outcomes with the example of local government of the city of Czestochowa, Poland

Assuming that strategies and programs are the basic instrument of control of local development and performance of public services, the local government in Czestochowa adopted strategy of city development, a long-term investment plan, land use study, 23 sectoral operating programmes (e.g. programmes for environmental protection, waste management, revitalization, public transportation, housing, informatization, supply of electricity, heat and gas etc.).

Public services are provided by the entities organized in various forms as: budgetary entities (City Hall, schools, kindergartens, nursery schools), budgetary institutions (City Road and Transport Authority, City Sports and Leisure Centre - MOSIR, Municipal Cemetery), commercial law companies: limited companies (City Transport Company, Czestochowa City Company - CzPK, Housing Management Department - Social Housing Association), joint stock companies (Wastewater Treatment Plant - OŚ Warta, Regional Development Agency - ARR), cultural institutions (theatre, philharmonic hall, museum, Gaude Mater Culture Promotion Centre), independent health care institutions (Municipal Polyclinic Hospital), gmina associations (Municipal Gmina Association for Water and Sewage Systems, with Czestochowa and nine gminas in the region associated, being the founding body of the Water and Sewerage Company of the Czestochowa Township – PWiK).

The system for quality management ISO 9001 implemented in 2004 in the City Hall and the adopted objectives for activities aimed at quality management had significant effect on Czestochowa local government institutions (half a year before, the ISO 9001 was obtained by PWiK as first). This certificate was also obtained by: MOSiR (2005), CzPK (2006), Municipal Cemetery (2006), City Road Authority (2006), ZGM TBS (2008), ARR (2006) (Wrona, 2011).

Three entities implemented integrated management systems:

- PWiK obtained in 2004 the certificate of Integrated Quality Management System: Environment, after implementation of standards PN-EN ISO 9002:2001 and PN-EN ISO 14001:2005.
- CzPK obtained in 2006 the certificate of Integrated Quality Management System: Environment - Safety, after implementation of standards PN-EN ISO 9001:2001, PN-EN ISO 14001:2005 and PN-N-18001:2004,
- Oś Warta obtained in 2009 the certificate of Integrated Quality Management System: Environment - Safety, after implementation of standards PN-EN ISO 9001:2001, PN-EN ISO 14001:2005 and PN-N 18001:2004 (Wrona 2013).

The most important investments implemented in the area of activities of the above entities was programme for modernization of water and wastewater management including modernization of the wastewater treatment plant, building the water treatment facility, 70 km of sewerage system and rain collector and building of the Waste Management Plant.

2.1. Management of housing resources

The instruments used by gmina authorities to control development of local housing and municipal resources include strategies for housing development, many-year programs for management of housing resources in the gmina, rents and rental policy and policy for privatization of municipal housing resources (ed. Zalewski 2007).

The following objectives were defined within the housing policy adopted for the city of Czestochowa:

- preparation of lands for housing for all investors,
- creation of the housing resources in the gmina to meet the needs of households with lower incomes through various forms of housing (e.g. rental housing) and rationalization of residential policies for current resources.
- containing the decapitalization of housing resources,
- revitalization of current systems of residential housing;
- improving the effectiveness of management of housing resources in the gmina,
- improving the standard for services provided to tenants,
- creation of the financing system for housing management in the gmina aimed at balancing revenues and expenditures with regard for external sources,
- adaptation of post-industrial and service development in the areas with housing function (Strategy and housing policy 2004).

On behalf of the city of Czestochowa, the functions of management of housing resources are performed by the commercial law company ZGM TBS, with the city of Czestochowa having 100% shares. The decisions extending the scope of activities of standard authority, concerning e.g. property, investments and management of housing resources are regarded as competencies of gmina (Many-year program for management of housing resources 2004).

The program which is complementary to housing policy is Municipal Revitalization Program (Municipal Revitalization Program 2005) adopted as a set of many-year activities in the economic, social and land development areas that leads to revival and activation of districts that are being degraded. The directions for their revitalization were adopted with respect to the opportunities for increasing the number of workplaces in service sector, containing social degradation in the areas affected by the consequences of restructuring of the industry and renewed management of post-industrial areas (Wrona 2014).

2.2. Management of public transport

Transport policy was adopted by defining that the aim of transformations and development of the transport system in Czestochowa is to improve the efficiency and safety of moving people and deliver of goods while limiting the negative effect of transport on the environment. Modernization and development of the transport system should be aimed at stimulation of economic development and spatial order and improvement in the image of the city as a centre with national importance and world religious centre.

The specific goals were:

- ensuring the effectiveness of city functioning with growing level of motorization,
- improvement in quality of public transport,
- improvement in parking conditions,
- limitation of negative effect of transport on the environment, including noise and air pollution,
- improvement in road traffic safety,
- improvement in economic transport effectiveness (Transport Policy 2004).

Priorities were determined in the integrated plan of transport development and the principles for implementation of transport policy in the City were defined. This aim is closely related with current financial plan and system of management of the City, cooperation with neighbouring gminas and coordination of the activities with related domains (road maintenance, traffic organization).

Current system of public transport is based on the activity of the MPK company, with the city of Czestochowa being the owner with 100% shares. Urban communication is financed from the revenues on the tickets (80%) and surcharges from the city (ca. 20%), that represent buyout of concessions defined by the City Council (Integrated Plan 2009).

The effect of implementation of the plan for public transportation development in Czestochowa was extension of the services of rail transport through e.g. modernization of the tram line traction system (4.7 km) and purchase of new tram rolling stock. The public transport system was also reorganized through separation of the function of public transport organizer from the function of carrier (previously it was MPK that determined the scope, range and standard of services, performing the role of contractor and supervisor of these services).

3. Conclusions

Management of public services in local governments should be based on thoroughly prepared strategies and plans with regard for the objectives and analytical studies (both internal and external), evaluation of the effectiveness of activities through confrontation of the aims planned with the aims achieved and quality expected with the quality achieved and on the analysis of unit costs of services.

The Minister of State Treasury in 2007-2013 disposed (free of charge), to the local government entities, stocks and shares in 88 companies, including 74 sole shareholder companies of the State Treasury. The audit carried out by the Supreme Audit Office revealed that this had a positive effect on the effectiveness of performance of tasks which are essential for local communities and improved the effectiveness of supervision over these companies. One effect of municipalization was also improvement in financial standing of the companies involved. (Information P/13/056 2014)

Furthermore, the audit of the Supreme Audit Office in municipal companies in Łódź Voivodeship (Information P/13/160/2014) showed that the companies satisfied collective needs of the local government communities but they were additionally active outside the area

of public utility and did not demonstrate sufficient diligence in terms of economic and financial results and effectiveness of operation. The companies had difficulties with adjustment to changing market conditions. The supervision over these companies by local government authorities had primarily passive character and focused on formal activities i.e. appointing and dismissal of the members of company authorities and approval of annual reports on company activities.

It is necessary for local governments to take measures to organize the area of municipal companies, including:

- determination of the principles (standardization) for performance of owner supervision with regard to the companies with participation of the local government, including effective monitoring and competent assessment of the activities of municipal companies,
- determination of ownership policy with respect to the companies supervised,
- starting initiatives aimed at privatization of the companies that are active outside the area of public utility.

Increasing the efficiency of management and effectiveness of supervision over companies is possible through ensuring transparency of selection of properly prepared people for members of supervisory councils, carried out within open procedure.

References:

1. Borowiec L. (2007): *Controlling w realizacji usług publicznych gminy*, Wolters Kluwer, Kraków, p. 107.
2. Information about the results of the audit: municipalization of the companies of the State Treasury, KGP-4101-03-00/2013, No. 133/2014/P/13/056/KGP, Supreme Audit Office, Warsaw 2014
3. Information about the results of the audit: functioning of municipal companies in Łódź Voivodeship, LLO-4101-013-00/2013, No. 162/2014/P/13/160/LLO, Supreme Audit Office, Warsaw 2014.
4. Municipal Revitalization Program for Czestochowa, appendix for the Czestochowa City Council Resolution No. 667/XLV/2005 as of May 23, 2005.
5. Miszczuk A., Miszczuk M., Żuk K. (2007): *Gospodarka samorządu terytorialnego*, WNT Warsaw, pp. 140-141.
6. Transport Policy for the City of Czestochowa, appendix for the Czestochowa City Council Resolution No. 449/XXXIII/2004 as of July 5, 2004.
7. Strategy and housing policy for the Gmina of the City of Czestochowa, appendix for the Czestochowa City Council Resolution No. 507/XXXVII/2004 as of November 26, 2004.
8. Wańkiewicz W. (2004): *Wskaźniki realizacji usług publicznych, Program Rozwoju Instytucjonalnego, Małopolska Szkoła Administracji Publicznej Akademii Ekonomicznej w Krakowie*, Kraków, pp. 2-8.
9. Many-year program for management of housing resources for the Gmina of the City of Czestochowa for 2005-2010, appendix for the Czestochowa City Council Resolution No. 508/XXXVII/2004 as of November 26, 2004.
10. Wrona T. (2011): *Effect of Human Capital on Professionalization of Self-Government Institutions*, [in:] *The Role of Human Capital In Knowledge Based Management*, monograph (eds Bylok F., Cichobłaziński L.), *Wyd. Politechniki Częstochowskiej*, Czestochowa, p. 188-202.
11. Wrona T. (2013): *Zintegrowane systemy zarządzania w częstochowskim samorządzie, (Bezpieczeństwo systemu: Człowiek - Obiekt techniczny - Otoczenie. Zarządca i środowiskowe aspekty bezpieczeństwa*, monograph, scientific eds: Salamon, Sz, Tabor, J, T.1, pp. 58-67.
12. Wrona T. (2014): *Revitalization of Cities: Social Aspect*, [in:] *Management and Managers Facing Challenges of the 21st Century. Theoretical Background and Practical Applications*, monograph (eds Bylok F., Ubreziova I., Cichobłaziński L.) *Szent Istvan Egyetemi Kiado Nonprofit Kft.*, Gödöllo, pp. 371-380.

13. Zalewski A. (ed.) (2007): Nowe zarządzanie publiczne w polskim samorządzie, Oficyna Wydawnicza SGH, p. 230, 268,330.
14. Zawicki M., Mazur S., Bober J. (eds) (2004): Program Rozwoju Instytucjonalnego, Zarządzanie w samorządzie terytorialnym. Najlepsze praktyki., Małopolska Szkoła Administracji Publicznej Akademii Ekonomicznej w Krakowie, Ministerstwo Spraw Wewnętrznych i Administracji, Kraków, p. 16.
15. Integrated plan for development of public transport for the City of Czestochowa for 2009-2015, appendix for the Czestochowa City Council Resolution No. 496/XLIV/2009 as of June 29, 2009.

PUBLIC RELATIONS IN THE MANAGEMENT OF A MODERN ENTERPRISE

Anna KARCZEWSKA, Magdalena BSOUL

*Częstochowa University of Technology, Częstochowa, Poland
akarczewska@gmail.com*

Summary: Public relations and communications management covers wide range of ideas such as media relations, public affairs, community affairs, product publicity, events management, crisis management, lobbying, investor relations etc. The article presents an overview of modern aspects of public relations, its role in management of an enterprise, including crisis management. The perception of public management and its roles are changing. The enterprises face the challenges such as fast technological changes, developing of international relations and growing global competition. What is also changing is the nature and tools of communication, what influences the public relations management.

Public relations may be a strategic resource which, when appropriately managed, may contribute to effective realization of the strategy of an enterprise. Modern public relations helps to understand the environment of an organization and maintain the relations with groups significant to achieving the strategic goals of an enterprise. What is also important issue for modern public relations is an ethical approach to business and social and environmental responsibility.

The authors of the article mention the main characteristics and challenges of modern public relations and try to highlight its significance to the successful operation of an enterprise.

Keywords: Public relations, Management, Communications, Enterprise

1. Public relations as a form of communication in an organization

Communication processes in organizations are crucial to their effective functioning. Thanks to the processes of communication such functions are realized in managing an organization as: planning, organizing, motivating and controlling (Stankiewicz 1998). Good company management requires highly developed communication skills, both on the individual as well as on the organizational level. One of the most important form of company's communication processes is public relations.

There are numerous definitions of what public relation is. The Encyclopedia of Public Relations provides us with general description: "public relations is a set of management, supervisory, and technical functions that foster an organization's ability to strategically listen to, appreciate, and respond to those persons whose mutually beneficial relationships with the organization are necessary if it is to achieve its mission and vision" (ed. Heath 2005).

It may also be defined as a management communication function, which enables a company to "adopt to the environment, changing the environment or maintaining the status quo, providing that the aims of an organization are reached" (Kunczik 1993). Treating Public Management as a form of communication, one can enumerate its main communication functions: selection of information, presentation of information, performing a role of a mediator, being a leader of public opinion (Goban-Klas 1997).

One can distinguish also two general ways of defining PR: it refers to the process of shaping mutual relationships between people in various social situations especially in the political, social and economical life and what is more, it refers to the set of actions of the interdisciplinary, knowledge-requiring nature and covering a number of areas (media-

relations, strategy counseling, crisis and image management etc) (Bsoul, 2010). It can be divided into internal public relations (the public are the members of an organization) and external public relations (the public are various stakeholders outside an organization) (Bsoul, 2005).

The conceptualization of the term public relations often perceive it as a continuous activity connected with an organization's relations with the public: "public relations is a planned, continuous activity, conducted with taking into consideration the results of actions. It means conveying by the company specially prepared various forms of information in order to create its desirable image in the environment of the company, which enables better integration with the environment and facilitates the realization of the main goals of a company. This activity may be conducted by other organizations, including the those profit-oriented" (Goban-Klas, Kadracic & Czarnowski, 1997).

Before the 20th century there were several specializations which later evolved into a structured phenomenon of public relations. These specializations now are treated as functions of the public management. Each public management function is characterized by special set of objectives, they aim at building and maintaining as well as fixing relations with various audiences. The most typical specializations and also functions are: corporate communication, media relations, investor relations, community relations, issues management, employee relations, donor relations, government relations and strategic philanthropy (ed. Heath 2005).

Every function of public management is a form of a dialogue with public, so it has to take into consideration the feedback from the public and be prepared for the cooperation with many stakeholders.

2. Public relations as a way for dialogue with the publics

The communication form such as public relations is not simple and uniform due to the fact that it has many different audiences. Not only does it have to justify organization's activity to shareholders, but also to customers, employees, public opinion, government, financial groups and media. The character of the message should be adapted to the particular environment. Public relations programme which aims at engaging in the dialogue with different public should take into consideration and analyse the stakeholder specificity. The goals and obligations in public relations depend on the kind of stakeholders it turns to. Table 1 presents main responsibilities of public management directed to different audiences.

Table 1: Stakeholders' responsibilities

<i>Stakeholder</i>	<i>Responsibilities</i>	
Customers	Economic issues	profitability, competitive products, survival of the company, product quality
	Ethical issues	Honesty, the best possible products and services, satisfy customer needs
	Voluntary issues	Long-term business, function development
Employees	Economic issues	Work and income
	Legal issues	Cooperation, following the regulations in dismissal situations
	Ethical issues	Good working conditions, stability and security, developing possibilities, honesty
	Voluntary issues	Education, supporting activity and interests
Competitors	Ethical issues	Truthful information, fair marketing and fair pricing practices, no use of questionable consistency and stability, playing the game by the rules
	Voluntary issues	Good relations, cooperation in industry-related issues

Owners	Economic issues	Return on assets/investments, securing investments, maximizing cash flow, solvency, profits
	Ethical issues	Adequate information
Suppliers	Economic issues	Volumes profitability
	Ethical issues	honesty
	Voluntary issues	Sustainable and reliable long-term relations
Community	Economic issues	Taxes employment, influence on trade balance
	Legal issues	Following laws and regulations
	Ethical issues	Behaving with integrity
	Voluntary issues	Supporting local activities
Government	Economic issues	Taxes employment, influence on trade balance
	Legal issues	Following laws and regulations
	Ethical issues	Behaving with integrity
	Voluntary issues	Supporting local activities
Financial groups	Economic issues	Profitability, security of investment
	Ethical issues	Adequate information
The environment (e.g. pressure groups)	Legal issues	Compliance with environmental regulations
	Ethical issues	Environmental friendliness, protecting the environment, product recycling
	Voluntary issues	Proactive environmental management
Old and new media, e.g. press, TV, web	Legal issues	Compliance with the law
	General issues	Compliance with guidelines, codes of conduct and ethics statement
	Voluntary issues	Internal web pages and chat rooms

Source: Olivier S. (2010): *Public relations strategy*, Kogan Page, London, pp 17-18.

The next essential aspect of public relations activity is planning. The process of planning is structured and based on several key issues. The fundamental aspects are the answers to six main questions, which the public relations managers are obliged to find the answers:

- “What is the problem? (researching the issue)
- What does the plan seek to achieve? (what are the objectives)
- Who should be talked to? (with which publics should a relationship be developed)
- What should be said? (what is the content or message)
- How should the message be communicated? (what channels should be used for dissemination)
- How is success to be judged? (how will the work be evaluated against the objectives)” (ed. Tench, Yeomans 2006).

Public relations activity is especially important during the situations of crisis. A situation of crisis may be defined as: “usually sudden and unexpected, undesirable event, destabilizing the balance of a company and being a threat for a certain field of its activity” (Smektała 2005). Mitroff enumerates the most frequent types of crisis according to the source of the problem:

1. External economic problems (bribery, boycott, extortion, acquisition of assets (also against the will of the owner)
2. External informational problems (loss of data, forgery false rumors personal data breach)
3. Professional factors (health and diseases)
4. Breaks in work (removal from a post, failures, product defects, errors of operators, low level of safety)
5. Human resources (low morale, takeover of the executive power by the successor)
6. Visible damage (false rumours, slander, calumny)
7. Damage on a large scale (accidents, damage to the environment)

8. Psychopathology (illegal copying, tampering within the company and outside the company, sexual harassment, false rumours, hijacking high official) (Smektała 2005).

Public relations is an essential form of communication in modern companies. Nowadays, in the times of fast technological and economical changes the dialogue with publics which are important for existing the company is crucial. In the Internet era the preventing and immediate responding to the unexpected problems is obligatory for every company which aims at being competitive on the market. There are many publics to maintain relationships with and many problems to face so the good public relations manager has to be prepared for every situation.

3. Conclusions

In modern fast changing market environment effective management need highly developed communication skills, both on the individual and on the organizational level. The crucial company's communication process is public relations: the internal and external one. Modern enterprises in order to survive on the market and stay competitive has got to combine economic issues with ethical issues and build relationships with many different audiences. Good use of communication is essential for obtaining a company's strategic objectives. Global business environment, technological changes demand from companies to operate responsibly, maintain relationships with public and react to the crisis as fast as it is possible.

The good external strategy of communication contributes to a effective activity of a company and to preventing problems from occurring or dealing with them successfully. Internal communication (with employees) help the members of an organization to be more efficient and effective in service or production. Moreover, the public relation tools and solutions are necessary in crisis situations, which are sudden and unexpected. Crisis management enables the company to have the planned and organized ways to react to the problems using its resources the most effective way.

Modern digital media and communication based on the use of Internet changes the ways and forms of communication. Creating and maintaining the desired image of a company and relationships with the environment require monitoring the online activity of audiences and immediate reacting to the problems or competitors' activity. It becomes more and more complex and difficult to maintain effective public relations activity nowadays than it has been before.

It is advisable to if not appoint special public relation department or a manager responsible for the public relations, then to use the services of a public relations consultancy. It will bring benefits which most probably exceed the costs incurred for the public relations activity. Otherwise, the company may have bad or inconsistent relationships with the environment and miss the opportunities and benefits which result from conducting the effective public relations activity or will bear unpredictable costs of occurring crises.

References

1. Bsoul M. (2005): *Public relations*, in: Encyklopedia Pedagogiczna XXI w, Vol. IV, Wyd. Akademickie „Zak”, Warszawa, p. 1294
2. Bsoul M. (2010): *Zasady dobrego Public relations w polityce*, in: *Public relations w procesie kształtowania relacji z otoczeniem*, D. Tworzydło, Z Chmielewski(eds), Wyd.Konsorcjum Akademickie,Kraków-Rzeszów-Zamość, p.11.
3. Heath R. L. (ed.) (2005) *Encyclopedia of Public Relations*, Sage Publications, p. 680.

4. Tench R, Yeomans L. (eds), (2006), *Exploring public relations*, Pearson Education, pp 186-187.
5. Goban-Klas T., Kadracic A. & Czarnowski P. (1997), *Public relations czyli promocja reputacji: pojęcia, definicje, uwarunkowania*, Ed.2, Business Press, Warszawa, after: Smektała T. (2005), *Public relations w sytuacjach kryzysowych przedsiębiorstw*, Wyd. Astrum, Wrocław, p. 13.
6. Goban-Klas T. (1997), *Teoria komunikowania jako fundament public relations*, „Marketing i Rynek”, , nr 4, p. 7.
7. Kunczik M. (1993), *Public Relations. Konzepte und Theorien*, Böhlau Verlag GmbH & Cie, Köln, p.10.
8. Olivier S. (2010), *Public relations strategy*, Kogan Page, London, , pp 17-18.
9. Smektała T. (2005), *Public relations w sytuacjach kryzysowych przedsiębiorstw*, Wyd. Astrum, Wrocław, pp 68-69
10. Stankiewicz J. (1998), *Komunikowanie się w organizacji*, Wyd. PZ, Zielona Góra, p 15.

COACHING IN MANAGERIAL WORK

Malgorzata RANDAK-JEZIERSKA

Częstochowa University of Technology, Częstochowa, Poland

E-mail: gosiarandak@wp.pl

Summary: Most of people want to change certain aspects of their personal lives or professional careers. However, these needs are not always easy to be met since they are often challenged by fear of changes and reluctance to change. Coaching is a method which, with the help of an expert, allows for realization of problems and working through all that prevents a person from changes, and, based on our own resources, plan and take actions that allow for achievement of the set goal. Coaching can be also used in the work of a manager. Managers using coaching style for management develop some beliefs and behaviours that help them evaluate and stimulate others to think independently, act and encourage them to take responsibility for the effects of work. Therefore, a manager can be relieved from the pressure of constant supervision, leading and worrying about results and can focus on creation of conditions which ensure that his or her employees are able to present knowledge, experience and ability to create their own solutions.

Keywords: change, coaching, resources, manager, coaching style for management

1. Introduction

The need for changes is rarely accompanied by making actual changes in life. Our thinking about changes is often associated with apprehension of the unknown and the related reluctance to abandon what is known and entering the new unpredictable reality. This causes that people prefer to choose the known reality they have got accustomed to living in, despite the inconveniences they might sometimes experience. S. R. Covey (2014) wrote that „*Each of us guard a gate of change that can only be opened from the inside*”. One of the methods to help "open the internal gate" and to cause the demanded changes in personal and/or professional life is the use of coaching. Similar to the world, a dynamic development of coaching has been observed in Poland, with its professionalization and specialization (e.g. executive coaching, managerial coaching, career coaching, team coaching, sports coaching, life coaching). As noted by R. Williams (2013), „*coaching is the second fastest growing profession in the world*”.

The paper characterizes the concept of coaching and its basic principles. It also discusses manager's abilities that help them use coaching style in management to increase the potential of their teams.

2. The concept and basic principles of coaching

Coaching is a discipline that is being constantly developed. A great number of its definitions have been coined, followed by constant attempts to create the adequate conceptual apparatus and to define its own boundaries and care for distinction from other disciplines (such as consulting, psychotherapy, mentoring, counselling) (Marciniak 2009).

The concept of coaching stems from the world of sport, where outstanding coaches do not necessarily have to be outstanding athletes in order to coach others successfully. However, they are characterized by an ability to bring out the maximum abilities from the athletes in

order for them to show top performance. The concept of coach can also be referred to the field of transport since the buses that transport passengers are also termed coaches. With this approach, coaching services can be also understood as services where customers are "transported" by means of their "coach" from one place (where they are now) to the other (where they chose to get to) (Bobrowska - Drozda 2009).

B. Wujec (2013) analysed the literature concerning coaching which has been present in the world since the last 40 years and identified the components to be dominant in an intervention in order for it to be termed coaching. These include: attitude towards developing the potential of the person and environment they develop in, striving for achievement of the goals, finding the solutions, improvement in efficiency; support for development of customers that is consistent with the values they believe in; partnership relations between a coach and customers; emphasizing that this is a process of support; being based on the conversation with feedback to customers, caring for the customers to find solutions by themselves; supporting customers in overcoming internal limitations, emphasis on short-term interventions.

Coaching is based on the following principles:

- each customer has the resources to be used when solving their own problems,
- with coaching, customers have opportunities for using the resources they have and they might not realize and customers can build new resources;
- customer is the wholeness, also with respect to time (their past, present and future are equally important),
- topic of the session is always chosen by the customer,
- customer and coach are partners, their cooperation is based on mutual respect,
- coach helps customers to take actions that allow for making a change, which is the goal of coaching (Rogers 2013).

The above principles can be supplemented by coaching principles used in Erickson's approach, which were formulated in the following manner:

- people are okay as they are. nobody is wrong and nobody is "broken", nobody needs repairing,
- people always make the best choice they can at the time,
- every behavior has a positive intention,
- change is inevitable (in: Wilczyńska et al. 2013).

According to C. Wilson (2010), coaching helps customers develop their self-awareness, their choices and decisions; deepen the self-confidence since they are encouraged to exercise, make mistakes, experience; focus on finding solutions rather than on problems; search and discover new prospects that encourage them to act and change.

In conclusion, coaching can be viewed as partnership relation based on mutual trust between a properly prepared coach and a customer where, through conversation, asking questions by the coach, receiving the feedback and helping remove internal barriers, customers are motivated for determination of the goal they aim to achieve and to achieve the goal based on their own values and resources.

3. Coaching as a management style

Managers' work can be also based on the assumptions of coaching through implementation of coaching-oriented management style. In her book *Brilliant Coaching. How To Be A Brilliant Coach In Your Workplace*, J. Starr (2011) described what this management style is and compared it with the directive style. Although the directive management style might be sometimes efficient and necessary, it might soon become a real trap for the manager. It is connected with the pressure, incessant feeling of responsibility for the team; searching for

solutions, making decision, control over the team and caring for the outcomes. The manager who acts according to: „*I know the best what to do*”, „*I'm telling you*”, „*Do what I told you*” will sooner or later cause that:

- the employees will lack creativity, drive for work and commitment,
- the employees will feel boredom,
- the manager will expect more from themselves, which substantially limits his or her time for performing other tasks,
- will make employees dependent on him or her.

The manager who uses coaching as a management style creates the conditions where it is possible for the employees to act independently and be successful. This manager encourages employees to make decisions and solve problems they face, which translates into the enhanced involvement, self-confidence, feeling of empowerment and taking responsibility for the effects of activities.

Starr (2011) argued that the most important skills of a manager who wants to use and develop coaching-oriented management style are:

- building a good contact with another person (creation of relations, feeling of ties, climate of trust, ability to find similarities between interlocutors),
- taking conscious effort to listen carefully and perceptively (concentration, focus of attention, being present here and now, helping interlocutors to express themselves, awareness of various obstacles to communication),
- asking questions to help other people rethink and understand the situation, encouraging them to think independently, make decisions and act (simple questions with clearly formulated goals with open character, using "strong questions"),
- constructive feedback (positive intention, caring that the other person should actually benefit on what he or she hears; commenting on the behaviour rather than on the whole person; care for being objective; balance between positives and negatives; ensuring that the interlocutor understands the message and is involved in the conversation; helping when making decisions).

According to Szmids (2009), coaching, oriented at development of employees, can be used in the enterprise as one of the most important tools to support human resource management. This author used a model proposed by P. Hawkins to identify the stages in the process of building coaching culture in an organization. These include:

1. analysis and determination of the goal of implementation of coaching culture,
2. creation of relationships between the strategy for building coaching culture and general strategy and the strategy for human resource management,
3. objective analysis of current and future company culture,
4. initiation of the process of project consultations and cooperation with previous leaders,
5. selection and development of the group of external coaches,
6. using coaching among both selected individuals and teams or organizational units,
7. building of internal coaching potential,
8. implementation of training for the whole managerial staffs concerning fundamentals of coaching,
9. linking coaching processes with all other activities in the area of human resource management with evaluation of the effectiveness,
10. analysis of opportunities for the use of coaching to build relationships with other groups of stakeholders,
11. regular evaluation of the coaching process and its participants.

4. Conclusion

Coaching is becoming a tool which can be successfully utilized for both development of individuals and organizations. Individuals are supported in planning and carrying the demanded changes. Organizations can utilize coaching for implementation of the company strategy. A manager that uses the coaching-oriented management style in an organization that builds the coaching culture stimulates development of competencies and independence in employees, which can be translated into the enhanced competitiveness of the enterprise in the market.

References

1. Bennewicz M. (2011): Coaching i mentoring w praktyce, Wydawnictwo G+J.
2. Bennewicz M. (2014): Coaching, kreatywność, zabawa. Narzędzia rozwoju dla pasjonatów i profesjonalistów, Wydawnictwo HELION.
3. Bobrowska – Drozda Ł.: Zawieranie kontraktu coachingowego, [in:] Sidor-Rządkowska M. (ed.) (2009): Coaching, teoria, praktyka, studia przypadków, Oficyna Wydawnicza Wolters Kluwer Polska.
4. Covey S. R. (2014): Mądrość i pasja, Dom Wydawniczy Rebis.
5. Kimsey-House H., Kimsey-House K., Sandahl P., Whitworth L. (2014): Coaching koaktywny. Zmiany w biznesie, zmiany w życiu, Wolters Kluwer Polska.
6. Marciniak Ł. T.: Przegląd istniejących definicji coachingu, [in:] Sidor-Rządkowska M. (ed.) (2009): Coaching, teoria, praktyka, studia przypadków, Oficyna Wydawnicza Wolters Kluwer Polska.
7. Rogers J. (2013): Coaching, Gdańskie Wydawnictwo Psychologiczne.
8. Rzepa T. (2006): Psychologia komunikowania się dla menedżerów, Difin.
9. Szmidt C.: Coaching a zarządzanie strategiczne, [in:] Sidor-Rządkowska M. (ed.) (2009): Coaching, teoria, praktyka, studia przypadków, Oficyna Wydawnicza Wolters Kluwer Polska.
10. Starr J. (2011), Coaching dla menedżerów. Słuchaj, motywuj i zwiększ potencjał zespołu, Samo Sedno.
11. Wilczyńska M., Nowak M., Kućka J., Sawicka J, Sztajerwald K (2013): Moc coachingu. Poznaj narzędzia rozwijające umiejętności i kompetencje osobiste, Wydawnictwo HELION.
12. Wilson C. (2010): Coaching biznesowy. Praktyczny podręcznik dla coachów, menedżerów i specjalistów HR, MT Biznes.
13. Williams R. (2013): The second-fastest growing profession, [in:] Czarkowska L. D., Wstęp, „*Coaching Review*”1 (4), p. 2.
14. Wujec B. (2013): Geneza i definicje coachingu, „*Coaching Review*”1 (4), p. 4-28.

ENTREPRENEURSHIP AS A PART OF THE SOCIO-CULTURAL CAPITAL A SOCIOLOGICAL ANALYSIS

Urszula SWADŹBA, Rafał CEKIERA

Institute of Sociology, University of Silesia, Katowice, Poland

E-mail address: urszula.swadzba@us.edu.pl

Summary: This article aims to answer the question to what extent verbalized and declared entrepreneurship impact the competitiveness of the economy. In the theoretical part, entrepreneurship will be pre-defined in its social meaning. This means that entrepreneurship is understood as an element of human capital. The functions which the capital has in economic development will be indicated. The analysis will be conducted on the basis of empirical research on the economic awareness, including entrepreneurship. The summary presents the typology of the respondents due to their entrepreneurship.

Keywords: Entrepreneurship, the socio-cultural capital, Silesia

1. Introduction

The issue of socio-cultural capital is often undertaken by sociologists. It is uncommon for entrepreneurship to be analyzed as human capital. However, this is a very topical issue as it provides knowledge on which environments and what social categories are economically active and which ones intend to become active in the future. Interesting environments to study are former workers environments. These are the categories and social groups, where entrepreneurship and economic activity did not have great traditions, since the workers were actually required to be diligent and obedient. The article is to answer the question of whether such an environment has used the possibilities of business development in the market economy. In addition, it will be interesting to learn what social categories have developed entrepreneurship, particularly whether it has concerned the young generation. Answers to these questions will be gathered on the basis of the analysis of empirical studies conducted in the working-class environment of Silesia. In the conclusion, types of entrepreneurship operating in former workers environments will be created.

2. Entrepreneurship as part of the socio-cultural capital

One of the adequate concepts developed on the basis of economics and social sciences is socio-cultural capital. Two terms are related to this concept: the first refers to various forms of social bonds underlying the relation of the entity with other people and social bodies; the other evokes correlates patterns, values and meanings encoded in the cultural space of regulating life activity of the entity (Putman, 2008). In turn, the concept of cultural capital, had been interpreted very broadly, and its essence was the inclusion of a number of factors, such as education, skills, cultural traditions, aspirations, habits, customs, values, and readiness to accept change (Świątkiewicz, 2000). Entrepreneurship as one of the elements of the socio-cultural capital is also embraced within this definition (Drucker, 1992). The classical theory of entrepreneurship was developed and perpetuated in the literature by Schumpeter, who saw the entrepreneur as a person characterized by creative activity involving the implementation of new concepts (Schumpeter, 1962). In the presented characteristic of an entrepreneurial person made by Schumpeter, focus on the changes that are treated as a natural attribute of the

person's actions. Entrepreneurship is directly connected with the entrepreneur. It may be understood as: „a willingness and ability to solve new problems in a creative and innovative way, the ability to exploit emerging opportunities and prospects, and flexibility to adapt to new conditions” (Kwarcńska and Kwarcński, 2004, p. 197). Entrepreneurship can also be understood as the ability to create an enterprise and acting in the direction of its development through the appropriate organization, management and introduction of new technologies (Piecuch, 2010). Such characteristics can be classified as socio-cultural capital. The activity towards creating one's own business, creativity, willingness to take risks and actions are the capital, which contributes to improving the competitiveness of the economy. Entrepreneurship and economic activity enable efficient functioning of the economy, facilitate their development and expansion, and make the company, and thus the economy, more competitive. This particularly concerns new technologies. The increase in competitiveness depends therefore, on the socio-cultural capital of which entrepreneurship is an important element.

3. The evaluation of one's own activity and entrepreneurship

The applications presented below are based on sociological research. The concept of research was related to „economic awareness of residents of the former industrial region”. The competitiveness of the economy is dependent on the activity of at least some people, manifested in the creation of companies and businesses. Not all people have predispositions or are suited to the task.

An enterprising person can be distinguished by several features such as dynamism and activity, the willingness to take risks, diligence, the use of emerging opportunities, and mobilization in difficult conditions. Through sociological studies, answers to whether certain social categories or communities manifest entrepreneurial attitudes can be found. By studying former workers' communities the following question was used: „Which of the following sentences characterizes you and your attitude?”. The following table shows the responses to this question.

Table 1: Statements characterising attitude of respondents towards entrepreneurship (%) N = 255

Answers	Age of the respondent						Total
	18-24	25-30	31-40	41-50	51-60	61 -	
1. When I plan something, I usually manage to realize it	9,1	7,0	15,7	10,6	8,5	6,5	10,2
2. I like new challenges in life	18,2	16,3	11,8	10,6	6,4	6,5	11,0
3. I believe that every person can achieve success in life	4,5	7,0	11,8	8,5	12,8	35,5	12,2
4. I believe that my future depends on me	27,3	23,3	25,5	19,1	6,4	16,1	18,4
5. In difficult situations I motivate myself and try to cope on my own	9,1	20,9	15,7	27,7	12,8	6,5	16,9
6. If I fail, I don't make further attempts to achieve my goals	4,5	4,7	0,0	0,0	2,1	0,0	2,4
7. I avoid difficult situations, even if it means that I will achieve less	0,0	4,7	2,0	4,3	12,8	6,5	5,5
8. I often start something, but later feel discouraged and give up	18,2	9,3	9,8	4,3	10,6	0,0	7,8
9. I believe that in difficult situations, I am entitled to help from the state	4,5	4,7	3,9	8,5	17,0	12,9	9,0
10. Hard to say	4,5	2,3	3,9	6,4	10,6	9,7	6,7

Source: Own research and calculations

The above theorem can be divided into two groups. A selection of one of the first five (1-5) indicates activity and entrepreneurship, a selection of one of the following four (6-9) indicates the passivity. Almost 70% of respondents chose one of the first five options. Most often it was the possibility: „I believe that my future depends on me” (18.4%), followed by: „In difficult situations, I mobilize and try to cope on my own”. Two of the possibilities no. 1 and no. 2, which evidence entrepreneurship the most, were chosen by more than 1/5 of respondents (21.2%). Such a high proportion of entrepreneurial people is a good predictor for economic development.

What are the answers of individual age groups, especially young people? First of all, the younger age categories chose the option: „I believe my future belongs to me” (about ¼ of replies). A relatively large proportion of young people under 30 years of age chose the possibility: „I like new challenges in life” (18.2% in the age category 18-24 years, 16.3% in the age category 25-30 years). This is very optimistic news as it shows that among young people there is a group of very active people. Unfortunately, the same percentage of young people aged 18-24 chose the answer: „It often happens to me that I start something, but later I feel discouraged and give up”. The surveyed young people are therefore very polarized in their attitudes.

This is evident when one analyses the next factor – education. The biggest differences apply to answer no. 2: „I like new challenges in life” (elementary education – 2.5%, basic vocational education - 7.5%, secondary education - 13.2%, higher education - 20.5%). People with higher education often chose the first five possibilities of answers (higher education - 77.4%, elementary education - 47.5%), and it particularly concerned young people (84.6%). People with elementary education were more likely to choose a possibility of 6-9 as well as „hard to say” (elementary - 52.5%, higher - 22.7%). The presented analysis shows that age and education both influence the assessment of one’s own entrepreneurship. In workers communities, the educated young generation is optimistic about the ability to succeed, seeing career opportunities in their own activity and entrepreneurship.

In conducting research on the economical awareness, including entrepreneurship, the question about the assessment of people’s suitability to running their own business was asked. Respondents gave the following answers: definitely yes - 11.4%, rather yes - 31.5%, probably not - 29.5%, definitely not - 15.4%. This means that more than 40.0% of the respondents positively assessed their own abilities to start a business. The most confident about their own skills are people with secondary education (definitely yes - 17.6%, rather yes - 36.3%), a slightly lower assessment of skills was presented by respondents with higher education (definitely yes - 13.6%, rather yes - 25.0%) and vocational education (definitely yes - 8.8%, rather yes - 32.5%). A very low assessment of their own suitability was shown by people with elementary education (definitely yes - 0.0%, rather yes - 6.3%).

The analysis shows that, above all, young people and middle-aged people to 40 years of age evaluate their suitability for self-employment very positively. About a quarter of them believe to possess the appropriate skills (25-30 years of age: definitely yes - 16.3%, rather yes - 15.7%; 31-40 years of age: definitely yes - 41.9%, rather yes - 33.3%). Among older generations there was a decrease in self-believe. What may be the reason for such a big difference? First of all, the older generation is professionally stabilized and if someone did not set up their own business, but only worked in companies or public and private institutions, it is unlikely this person would want to take the risk in an older age. Secondly, the older generation grew up in a period of real socialism, where self-employment was limited. Therefore, they were unable to socialize to taking this kind of risk and did not have the possibility to verify whether or not they possess this type of predisposition. The young generation, socialized in the spirit of entrepreneurship and activation and is not afraid to evaluate their skills and aptitudes.

4. The realities and plans for one's own business

Suitability to economic activity does not always translate into running one's own business. In addition to favourable external conditions, a business idea, market knowledge and gaps in the existing market, own resources, determination and courage are needed. Therefore, two questions were asked, the first one: concerning the location and nature of the work which the respondent would like to take, and the second one: taking into account the possibility of establishing one's own business. It turned out that as many as 38.1% of respondents wanted to be self-employed, 45.5% would like to work in the state workplace, 7.1% want to work in a private company, 3.1% - go abroad, and 6.2% do not want to work at all. The results are consistent with the results of nationwide research but a slightly larger proportion of respondents would like to work in the state workplace (Skrzeszewski, 2014). Self-employment as a rule was chosen by the young people and middle-aged people to 40 years of age. These are people who grew up in a market economy when the possibility of running one's own business was already available. The older generation whose youth fell in the period of real socialism, preferred to work in state workplaces. Among the youngest it was also attractive to work in a private company. This can be explained by higher earnings than in the state workplaces. Changes in trends when it comes to choosing the type of work can also be noticed. Several years ago among workers' communities, work in state workplaces was preferred and far smaller interest in own economic activity was shown (Swadźba, 2001).

Table 2: Do you take into consideration in your life plans the possibility of starting self-employment, creating your own business (%) N=255

Answers	Education of the respondent				
	Primary / lower secondary	Basic vocational	Secondary	Higher	Total
I already own (co-own) a private business	5,0	7,5	19,8	9,1	11,8
I want to soon start my own company	2,5	2,5	0,0	4,5	2,0
I'm thinking of starting my own business in the future	2,5	13,8	15,4	20,5	13,7
I have thought about it, but have not decided	10,0	16,3	15,4	4,5	12,9
I have never given it much thought	27,5	31,3	23,1	22,7	26,3
I do not take this into account in my plans for life	42,5	25,0	25,3	25,0	27,8
I had my own company and do not intend to assume the next one	2,5	0,0	1,1	11,4	2,7
Other possibilities, it is difficult to say	7,5	3,8	0,0	2,3	2,7

Source: Own research and calculations

There are also correlations regarding education. Most likely to work „on their own” are people with secondary education (45.5%), especially men with a technical education. These are people who already have some experience and believe in their own abilities. In contrast, a much lower proportion of respondents with higher education preferred the conduct own business (25.5%). People with higher education often chose the opportunity to work in a state or local workplace (61.1%). This situation particularly concerned women, as indicated by other sociological studies (Boguszewski, 2014). The willingness to work in a specific company, always remains in the realm of projects and refers to unspecified plans. These plans do not always come true. This is often due to the external constraints, the lack of jobs in the company or institution. Added to this are internal factors, like the lack of resources to develop

one's own business or the lack of qualification for employment in the job. Sociological studies show how often career aspirations fail to comply with the realities of the labour market. Accordingly, to investigate whether or not self-employment and economic activity are just in a sphere of dreams or concrete plans, the question about life plans was asked, which take self-employment into account. The answers to the second question in correlation with education are summarized in Table 2.

The research results show that more than half of the respondents never thought about starting their own business, or does not take this into account in their life plans. Slightly less than half of the respondents have thought of starting their own business, but decided not to, and slightly higher proportion of people thinks of starting a business in the future. A relatively high proportion of respondents (11.8%), already owns their companies, the low percentage of respondents who have already had a business and does not intend to assume the next one in the future. Perhaps this is due to bad experiences, and perhaps it is a result of poor skills. However, these are often people who hold a higher education degree. One can therefore deduce that higher education has not been matched with the skills of running a business.

To which social categories do the entrepreneurial people and those already leading their own businesses belong to? These are mainly people with secondary education (almost 20% of the respondents). Primarily graduate technicians decide to run their own businesses, after several years of work and gathering of experience. Lower by about a half is the proportion of people with higher education. The next influencing feature is gender. Definitely more business owners are men (14.3%) than women (9.4%). Age is also a decisive premise. Business owners are mostly people between 30 and 50 years of age (31-40 - 30.5%, 41-50 - 14.9%). An overrepresentation of young people up to 40 years of age occurs. This means that the socialization of the young generation in a market economy brings certain results. The young generation, particularly men, is not afraid of entrepreneurship and economic activity. Overrepresentation of people with a secondary education may also result from the nature of the environment in which the study was conducted - former and current workers districts, where this category of citizens prevails. This is particularly true in case of Giszowiec, inhabited by workers employed in mines. A slightly lower percentage of people with higher education have their own businesses (9.1%). They are also the most commonly men at a younger age. This category of respondents has more specific plans for the development of their own economic activity. In the nearest future 4.5% of respondents intend to undertake this type of activity. Almost all people with their own businesses believe that they have predispositions to such activity (definitely yes - 46.7%, rather yes - 43.3%). It is a good omen for competitiveness and economic growth as it means that active people fulfil themselves in their professions and succeed.

Also, a relatively high percentage of respondents (13.2%) plan to start their own business in the future. Are there differences in responses between different social categories? People with higher education most often think about starting their own business in the future (1/5 of them have such plans). Primarily young people have 'starting a business' in their life plans (up to 37.2% of people aged 18-24, 27.3% of people aged 25-30 and 15.7% of those aged 31-40 years). As a general rule, young people assume that it is possible to change career plans several times in order to find the right place and settle down (Boguszewski, 2013).

What is surprising, there is no gender difference when it comes to the answer to this question. Almost the same proportion of women and men has such life plans for the future. This means that, first of all, young women do not feel complexes when it comes to their skills and plans for their own economic activity. However, when analysing in more detail the differences between the desire of economic activity for men and women, one can see some distinctions. Women want to become economically active slightly later than men. At the age of 18-24 years, a higher proportion of men already plan to set up a business (M - 37.5%, F - 21.4%),

while in case of women such plans only develop at the age of 25-30 years (M - 33, 3%, M - 40.0%). In the age category of 31-40 years, such plans are held by only 7.7% of women and 24.0% of men. What may cause such an age diversity of plans? Probably the fact, that women often undertake studies, and only after graduation do they plan to take such a risk. Men set up their companies already in college, and some of them encouraged by the example of their peers plan such activity for the nearest future. It should be noted, however, that young women present the same level of economic activity as men, and due to the fact that they are better educated, it presages well for the future. Sociological studies show the current situation to be more conducive to entrepreneurial people, and people with an idea and the energy, supply the sector of private enterprises (Kovalchuk, 2013). What is interesting, people who plan to start their own business do not always assess their suitability for this kind of project properly. Only 20.7% of them evaluated it positively and answered “definitely yes”, and 23.3% - “rather yes”. It is not a good omen for providing business skills for the future business owners. However, it can be assumed that as a rule those are young people, therefore they will still manage to prepare for such activity.

The respondents in the older age categories most often do not think about taking such life activity (over 30% of responses). This is particularly true in relation to women with primary education, but also with secondary or higher. Such categories of respondents are very reluctant to undertake economic activity. It also derives from the fact that middle and the older generations are professionally stabilized and if not forced by the external factors, they do not want to change the existing situation. Careers and activity are implemented in the workplace. But what is interesting, very young women, of less than 24 years of age, also do not think about starting a business. Perhaps this is due to the fact that they rather think about undertaking studies or graduation, and finding a job in the public or private sector. Only then, after graduation in the face of the reality of the labour market, would they change their minds on this issue.

5. Conclusions

The analysis of studies carried out in a fairly homogeneous environment, allows for a number of generalizations and conclusions to be made. Generalizations in fact allow for identifying several types of entrepreneurship in the Polish society. The main criterion for distinction, is the ratio of economic activity and age, however gender and education must also be taken into account. The types are as follows:

1. *Active* - the entrepreneurs, self-employed, young and middle aged, mostly men with secondary education. Those people are confident about their predispositions for running a business and succeed in this field.
2. *Resilient* - people who only plan economic activity, without specified plans. They are not afraid of new challenges and activities. This type includes young people, slightly more often young men, especially up to 25 years of age and women slightly older than men (25-30 years of age). In the case of the young men, they have completed high school, often still studying, while women belong to the post-graduation group. For now, they do not assess their suitability for business planning positively, however considering their young age, they still have time to improve the necessary skills. This is a group that demonstrates a high level of entrepreneurship. People, who were socialized in times of market economy, consider their own economic activity as a natural career path.
3. *Conservative* - people in the younger and middle age categories, more often women. They completed higher education and do not consider economic activity in their life plans. They are reluctant to take up new challenges, and therefore often look for a stable job in

the public sectors and are satisfied with such. They assess their suitability to run business poorly and therefore do not take this into account in their life plans.

4. *Stabilized* - people in the middle and old age categories, of both genders and various levels of education. They have achieved professional stabilization and succeeded in varying degrees. Those people rather do not consider any changes in this situation and do not intend to demonstrate entrepreneurship. Only external factors, such as job loss, change in the family situation, sometimes force them to undertake economic activity. These are the people who partially lived their lives in the period of real socialism.
5. *Retreated* - older people of both genders, ending their professional career or already retired. Their youth and significant part of economic activity fell in the period of real socialism; therefore they were never socialized to develop their own economic activity.

Economic development is not only conditioned by legal, political, technological and financial issues, but also by the actions of individuals, their activity and entrepreneurship. The conducted analyses indicate that some members of the former working-class communities manifest entrepreneurship and implement it in their lives by setting up their own businesses. This potential mainly lies in the young generation, socialized in a market economy. Creativity and entrepreneurship of the young generation of former working class communities are important predictors for the development of the region.

References

1. Boguszewski R. (2013), *Kobieta pracująca*, Komunikat z badań CBOS, (BS/28/2013), www.cbos.pl. [online: 16.03.2014].
2. Boguszewski R. (2013), *Mobilność i elastyczność zawodowa Polaków*, Komunikat z badań CBOS, (BS/11/2013), www.cbos.pl. [online: 10.11.2014].
3. Drucker P. F. (1992), *Innowacja i przedsiębiorczość. Praktyka i zasady*, Państwowe Wydawnictwo Ekonomiczne, Warszawa.
4. Kowalczyk K. (2014), *Polacy o gospodarce wolnorynkowej*, Komunikat z badań CBOS, (Nr 31/2014), www.cbos.pl. [online: 16.03.2014].
5. A.Kwarciańska, K.Kwarciański, *Przedsiębiorczość jako czynnik konkurencyjności gospodarki*, In. *Człowiek a rynek*, Ed. S.Partycki, Wydawnictwo Katolickiego Uniwersytetu Lubelskiego, Lublin.
6. Piecuch T. (2010), *Przedsiębiorczość. Podstawy teoretyczne*. H.C.Beck, Warszawa.
7. Putnam R. (2008): *Samotna gra w kręgle : upadek i odrodzenie wspólnot lokalnych w Stanach Zjednoczonych*, Wydawnictwa Akademickie i Profesjonalne, Warszawa.
8. Schumpeter J. (1962), *Teoria rozwoju gospodarczego*, Państwowe Wydawnictwo Ekonomiczne, Warszawa.
9. Skrzyszewski M. (2012), *Polacy o prowadzeniu własnego biznesu*, Komunikat z badań CBOS, (BS/158/2010), www.cbos.pl. [online: 10.11.2014].
10. Swadźba U. (2001), *Śląski etos pracy. Studium socjologiczne*, Wydawnictwo Uniwersytetu Śląskiego, Katowice.
11. Świątkiewicz W. (2000), *Wokół socjologicznej koncepcji kapitału społeczno-kulturowego*, [w] *Kapitał społeczno-kulturowy a rozwój lokalny i regionalny*, Ed. M.Szczepański, Wydawnictwo Wyższej Szkoły Zarządzania i Nauk Społecznych, Tychy.

GENDER STEREOTYPES IN THE ORGANIZATION

Małgorzata SIERPIŃSKA

Częstochowa University of Technology, Częstochowa, Poland

E-mail: gosiasierp4@oczta.onet.pl

Summary: European Commission analysis shows that eliminating traditional gender stereotypes is still a big challenge and the crucial matter for equalizing opportunities for women and men in family life, the process of education and in the labour market. The law regulates gender equality on most planes, and declared support for equalizing opportunities is very high in the society. So why are the stereotypes about women and men still alive? Why is it questioning if a woman is fit for a position of boss, or if she can be tough in negotiations, or if she can make decisions. As far as men are concerned, such doubts do not appear. Men are fit for business because they are natural born leader. Such stereotypes become an obstacle to the mutual understanding in the career field. Unfortunately, the stereotypes about gender roles are deeply ingrained. They usually come from the assumptions about the roles, skills and features attributed to women and men according to the cultural norms and tradition. Gender stereotypes usually derive from the diversity of roles that men and women have to fulfil in the society. The aim of this article is to make aware that equal treatment of women and men in the labour market at the stage of recruitment gives an entrepreneur the advantage by increasing a spectrum of potential skilled workers. Additionally, it can be a source of clear business profits.

Keywords: stereotype, prejudice, discrimination, mechanisms of stereotyping, gender roles.

1. Gender stereotypes – concept, structure and their functions

In everyday life, we meet with many kinds of stereotypes concerning almost every area of human life. Stereotype is a simple, often irrational picture of things, institutions or people, consisting of traits considered as characteristic for them, instilled by the environment into awareness of a group or social class. Stereotypes define the world, presenting its limited vision, based on ignorance and unfair opinions. These difficult to eradicate beliefs determine people's attitudes, e.g. to certain social or religious groups, or other nationalities, formulating permanent, often unfair judgments. (Mandal 2004)

Gender, being a universal and easily identifiable feature, is particularly vulnerable to stereotyping. Stereotypes, being a group of simplified and rigid beliefs about personal attributes of a group of people or social categories, e.g. women and men, as gender stereotypes describe beliefs that particular behaviour characterized by one sex do not relate to the other.

In the social sciences, the concept of sex in the biological dimension is more and more often distinguished from the concept of gender in the sociocultural dimension. In English, sex/gender is defined in the first sense as the term “sex”, and in the sense of socio-cultural category – the term “gender”. The concept of gender is thus linked to the social, cultural and psychological dimension of meaning imposing on people depending on their biological sex, and is applied to the social nature of the differences between the genders (Pankowska 2005).

It is worth noting that the term “gender” originally meant in English grammatical gender, but in the psychological literature it acquired a much wider significance, particularly in discussions contrasting psychological sex with biological sex (Ed. Czapiński 1996).

In the literature of subject, the term “gender stereotypes” is used interchangeably with the following concepts: “stereotypes based on gender”, “stereotypes of cultural gender”, “stereotypes of socio-cultural gender”, “stereotypes of psychological gender”, as well as with more rarely used terms such as “masculinity and femininity stereotypes”.

Gender stereotypes are generalized beliefs about psychological traits of men and women, as well as measures appropriate for one or the other sex. Gender stereotypes are easy to notice when in a statement there appear formulations such as: “men are more...”, “women should ...”, “for a man he is ...”, “women like it when ...”, etc. The burden of gender stereotypes is noticeable on many planes: from the dominant in Poland family model based on the double burdening of women with family responsibilities and occupational duties, through the process of education, job recruitment or labour market situation. Gender stereotypes create simplified descriptions of a *masculine* man and a feminine woman.

Stereotypes of masculinity and femininity consist of four elements. These components are:

- stereotypes about personality traits,
- stereotypes about social roles,
- stereotypes about physical appearance (including the physical appearance of women and men)
- stereotypes about professions

The component of physical appearance is highly correlated and affects other elements of the stereotypes of masculinity and femininity, being the most identifiable and accessible in interpersonal realities. One perceives the rest of the components of gender stereotypes from the angle of physical characteristics of an individual.

The stereotypes of personality traits of gender are a set of psychological traits and behavioural characteristics, which in a given culture are attributed to each sex (Królikowska 2011). Wojciszke notes that the stereotype of masculinity relates to agency and the stereotype of femininity – to social relationships. He stresses that within the basic personality traits that make up the so-called "Big Five" only two moderately or highly differentiate the gender: assertiveness with a predominance of men, and sensitivity to others with a predominance of women. Furthermore, women are characterized by a slight but not accidental predominance of trust, sociability and anxiety, although the latter outcome does not apply to social anxiety, where no differences are found. Similarly, no differences are found in many other personality traits. (Wojciszke 2002)

At this point, it is worth mentioning that the five-factor model of personality (abbreviated to FFM) by Costy and McCrae also known as the "Big Five" includes the following factors of personality: neuroticism (vs. emotional stability), extraversion (vs. introversion), openness to experience (vs. lack of openness), agreeableness (vs. antagonism), conscientiousness (vs. lack of orientation). Stereotypes regulating social behaviour of men and women determine which images they should hand over to the environment. In most societies it is required from men to behave in social situations in a dominant, self-confident, and tough way, while women are expected to present submissive and empathic behaviour. Behaviour consistent with representative norms applicable to both sexes are rewarded socially, even if it is obvious they are only "putting on masks". However, behaviour contrary to gender stereotypes meet with social disapproval.

Women who work in public sector, businesswomen and those pursuing career in politics are well aware of this fact. These women, creating their public image, apart from professional or political competence, also emphasize their „feminine characteristics.”

However, gender role stereotypes refer to the set of beliefs on the types of activity perceived as suitable for women (care and child-rearing), and appropriate for men (providing for a family).

These roles involve stereotypes about professions. It is stereotypically considered, therefore, that women perform well in professions that are an extension of their family roles, that is, professions related to helpfulness, protectiveness, showing empathy and those which require communication skills. Men, on the other hand, perform well in professions requiring physical strength, determination in action, fast decision making, and in professions requiring leadership skills and managing (Królikowska 2011).

2. Gender Stereotypes – empirical research

Gender stereotypes are widely known. The characteristics of one or the other sex are easily defined by almost every person. The first study on gender stereotypes just focused on creating such type of lists describing such characteristics. The study on these characteristics focused on two issues:

- the belief that the domain of women is taking care of the interest of other people (expressive or pro-social traits)
- the belief that men are assertive and have control (instrumental traits)

In the study of thirty representatives of equal nationalities, Williams and Best have observed a relatively great similarity in attributing specific traits to both men and women. Men were usually perceived as stronger and more active, showing a strong need for success, autonomy, dominance, aggression, and women as striving after establishing bonds (affiliation), taking care of upbringing and showing a need for respect. It was differently referred to the issue of distinguishing “masculine” and “feminine” traits. (Deaux, Kite M.,[in] Wojciszke B., 2002b). E. Mandal notes that gender stereotypes are a consequence of mental traits and behavioural characteristics which, in a given culture as characteristic, are more frequently attributed to one sex in comparison with the other. Citing the earlier mentioned intercultural studies, Williams and Best note that these studies prove the existence of women and men stereotypes similar in all studied cultures concerning different traits described as "feminine" (mostly associated with emotions, warmth, sensitivity, protectiveness, ability to make sacrifices or submissiveness, or "masculine" (associated with confidence, risk-taking, independence, aggression, competence and rationality.) (Mandal E., 2004)

The research on gender stereotypes shows the differences at the level of communication. Women's language is more intimate and less focused on status and independence than the language of men. Communication on the Internet is also similar. Messages written by women are longer, more detailed and contain more emoticons and adverbs. It may be associated with the process of socialization, in which girls are encouraged to express emotions. In Polish language, widely-held set phrases are used, such as "masculine decision" or "women's talk," and there is no male or female counterparts in certain occupations. (Pankowska 2005). The names of professions such as engineer, driver, lawyer Master, doctor , architect or surgeon, do not have their female counterparts as in the case of occupations such as waiter- waitress or actor-actress.

The influence of the media on the process of moulding and strengthening stereotypes is undeniable. For example, it often presents a negative image of feminists emphasizing their confrontational and radical nature. Such statements may become the basis for making hasty judgments. In advertisements that refer to gender differences, the experts are usually men, and women have traditional social roles of a mother and housewife.

Doliński notes that stereotypical image of women in advertising is presented in the form of:

a/ caring wife and mother

b / woman-vamp oozing sex appeal

c / occasionally, emancipated woman driving fast cars, holding a reporter's microphone in their hands or holding business talks. (Doliński D., 1998).

Gender differences are also strengthened in magazines. The study shows that randomly selected teen magazines such as "Bravo" or "Girl" are dominated by the subject of sex, fashion, cosmetics and music. Rarely can you find articles on education or career aspirations, and the subject of economics, politics or scientific discoveries does not exist at all, as opposed to men's magazines (Pankowska).

Rosenkrantz and his collaborators originally claimed that there are many more male than female characteristics that must be assessed as positive ones. However, no differences were found in the average „positiveness” of both groups of stereotypical traits estimated with the use of average results. Recent Eagly and other's works reveal that traits attributed to women are, in fact, more favourable than traits attributed to men.

As F. Pratto notes, male dominance has been recognized as characteristic of the human species. The simplest explanation of different access to power, position and social roles would be differentiation between men and women in terms of political and social characteristics. In the field of politics, Eisler and Loge characterized these two approaches as linking and ranking, suggesting that they refer to intergroup relations as well as interpersonal relations.

The review of empirical literature from different countries on social and political attitudes of which authors are Sidanius, Cling and Pratto showed that more women are in favor of the recognition of the equality of different social groups in terms of status and wealth (linking), and more men are in favor of establishing group hierarchy (ranking). Bakan describes women's orientation oriented toward social relationships as communal characterized by emotional closeness, taking care of others and mutual connections, and he contrasts it with task orientation (agentic), characterized by efficiency and strength. A similar distinction was made by many researchers, among others, Bem S.L., Eagly A.H. or Feshbach N.D., who dealt with differences in personality involving kind of gender. Sidanius and Ekehammar found that in a random group of Swedish teenagers, young women turned out to be less racist, more prone to support social equality and less conservative in political-economic issues than young men. Furtham says that the same differences between the sexes occurred in the tested samples of the teenage middle-class British and the English-speaking white South Africans. [Pratto F., [in] Wojciszke B., 2002b)

3. The consequences of strengthening gender stereotypes in the organization

The harmfulness of strengthening gender stereotypes is obvious. The result of copying stereotypes is the phenomenon of occupational segregation of women and men. Some occupational roles require predispositions coinciding with defined in the culture masculine roles, and some – with feminine ones. Acceptance of these definitions affects both the aspirations of potential candidates and the selection for recruitment to the profession. Men more often choose „masculine” professions – legal, medical, scientific, military, police, engineering, political, managerial, and, among the simpler, professions such as builders, crane operators, truck drivers, taxi drivers. Women rarely try to acquire such a profession, and even if they try – they come across bigger difficulties in recruitment. They more often choose "female occupations" which they are accepted in. They work, therefore, as nurses, teachers, waitresses, secretaries and stewardesses. In order to describe individuals employed in such occupations, sociologists sometimes use the term "pink-collar", which refers to the term "white-collar" adopted for clerical occupations, or "blue-collar" for working-class occupations. (Sztompka 2002)

The emergence of occupational segregation results in the effect of „self-fulfilling prophecy” which was described by Robert Merton. If there is a stereotype of a woman as a housewife and superstition that women are not suited to politics, they will rarely run and be elected

which will result in the domination of men in parliament and will serve as an argument strengthening the anti-woman superstition and megalomania of men. (Sztompka 2002)

In most cultures, gender stereotypes reflecting the social stratification glorify masculine values and they treat women in a more negative or ambivalent way, so their acceptance means for women more negative consequences. However, it happens that also men often become the victim of gender stereotypes.

In the case of women, consequences of gender stereotypes rely on generating: low self-confidence, low self-esteem and image of one's own competence, negative body image, defensiveness, excessive dependence on others and fear of success. However, in terms of perception of themselves, women often reveal "modesty" behaviour such as submissiveness, conformism and passivity. In the case of men, the consequences of the high acceptance of gender stereotypes may be associated not so much with the negative self-image as overestimating one's possibilities and setting oneself a target which is inadequate to one's abilities or situation. Low self-esteem exposes an individual to experiencing failures, disappointments, and the proverbial "banging one's head against a brick wall". On the other hand, focus on work, strength, rationality and domination is not necessarily beneficial for men as it may lead to rivalry, workaholism and health problems resulting from behaviour related to risk taking, stress, frustration and conflict.

The consequences of strengthening stereotypes can be very adverse phenomena of which basis are both gender stereotypes and prejudice against working women – so-called sexism. Gender stereotypes are associated with sexism which is already gender discrimination. The word is derived from the English word "sex" and expresses the view that men and women are not equal. Sexism is a conflicting treatment of both sexes showing a tendency to fight and compete with the opposite sex; it is discrimination against people because of their sex. (Starowicz 1999)

The term "sexism" stands for discrimination because of sex, as well as a set of views that make up the kind of "ideology" which treat one of the sexes – women or men – as worse. In the sphere of functioning in the labour market sexism affects women more frequently, and in the sphere of family life – men (e.g. reluctant granting a father custody of a child in case of divorce).

Sexism is a peculiar ideology and a set of extremely stereotypical beliefs delivering apparent "justification" of lower status of women in society, at work, in politics and family life. Negative phenomena in the organization from the perspective of gender stereotypes are among other things: work-family conflict associated with combining family and professional roles, discrimination in employment (in most cases, there is discrimination against women) with all consequences, e.g. barriers to promotion or differences in salary. On the Polish market women despite legal regulations, high qualifications and a growing number of women graduates, experience discrimination because of sex. Starting with the problem of finding work by young women, because of their possibility of pregnancy and the risk to go on maternity leave, and ending at lower salary for the same job or the problems with promotion. (Karczewska 2015). Adverse phenomena are also exclusion from the network of informal contacts, stereotype of a successful man – in the case of women, with a negative emotional tinge (success at the expense of family life), the problem of sexual harassment. (Mandal 2004)

4. Conclusion

Gender stereotypes exist from an early age because socialization makes women usually, in accordance with expectations, decide on "feminine" traits and patterns of behaviour, while men represent the "masculine" traits. It has an influence on the kind of undertaken professional job by women and men, and its assessment by the environment. As a result,

gender roles lead to the fact that many people find them characteristically rigid and imposing restrictions. Certainly, an interesting idea is to look at the stereotypes of gender roles from a wider perspective which would mean restricting their action in favour of androgenic approach. Androgynous people combine psychological traits and behaviour characteristic of the traditionally understood masculinity and femininity. Such people have a wider repertoire of behaviour and take up activities typical of both sexes. Androgynous individuals are described by others as a congenial and better adapted than those who are sexually defined. Thus, the traditional roles defining is the opposite of a comprehensive and complete development leading to many real risks to which individuals treating them as ideal standards for themselves and social relations may be exposed to. In contemporary changing world, functionality and usefulness of gender stereotypes as "images that we carry in our heads" is getting smaller. These stereotypes carry more and more subjective and interpersonal problems, and much less benefits, contained in – as in the past – in the sense of security guaranteed by following after them. The world of the 21st century, if it is to be perceived as modern and liberal, should strive for the gradual abolition of negative divisions resulting from the gender (especially visible in the professional sphere) in favour of equality, tolerance and partnership. Realizing this fact especially by entrepreneurs can result in abolishing unnecessary barriers within the organization, which may increase the spectrum of potential skilled workers and could also be a source of clear business profits.

References

1. Czapiński J.(ed)(1996) Psychologia społeczna. Encyklopedia Blackwella. Wyd. J. Santorski Warszawa
2. Deaux, Kite M.,[w] Wojciszke B. (ed) (2002b) Kobiety i mężczyźni odmienne spojrzenie GWP Gdańsk
3. Dolinski D.,(1998) Psychologia reklamy Agencja reklamowa „Aida” s.c. Wrocław
4. Karczewska A.(2015) Polki w rodzinie i na rynku pracy [w] Szajt M (red) Zeszyty Naukowe Politechniki Częstochowskiej nr 15., Częstochowa
5. Królikowska S.(2011) Rola stereotypów płci w kształtowaniu postaw kobiet i mężczyzn wobec zdrowia, Nowiny Lekarskie 2011,80,
6. Mandal E. (2004) Podmiotowe i interpersonalne konsekwencje stereotypów związanych z płcią . Wyd. Uniwersytetu Śląskiego Katowice 2004.,
7. Mandal E. (2004)Stereotypowe postrzeganie ról kobiet i mężczyzn jako wyznacznik karier zawodowych i funkcjonowania na rynku pracy [w] Płeć a możliwości ekonomiczne w Polsce: czy kobiety straciły na transformacji? Warszawa
8. Pankowska D.(2005) Wychowanie a role płciowe, GWP Gdańsk,
9. Pratto F., Polityka płci i różnice między kobietą a mężczyzną w sypialni, kuchni i gabinecie [w] Wojciszke B. (ed) (2002b) Kobiety i mężczyźni odmienne spojrzenie GWP
10. Starowicz L.(1999) Słownik Encyklopedyczny Miłość i Seks” Wydawnictwa Europa., Wrocław
11. Sztompka P.(2002) Socjologia. Analiza społeczeństwa. Wyd. Znak 2002, Kraków
12. Wojciszke B.(2002a) Człowiek wśród ludzi. Wyd. naukowe Scholar, Warszawa
13. Wojciszke B. (ed) (2002b) Kobiety i mężczyźni odmienne spojrzenie GWP Gdańsk

THE INTEGRATION OF DISABLED PEOPLE INTO THE GERMAN LABOR MARKET - HOW THE WORKPLACE HEALTH MANAGEMENT IS ABLE TO COMPLEMENT THE EXISTING TOOLS

Matthias REICH, Jürgen FONGER

Szent István University, Gödöllő, Hungary

E-mail: matthiasreich@web.de, JuergenFonger@googlemail.com

Summary: The German labour market, in particular the German small and medium sized enterprises (SME) as a part of the supply side of the labour market, has to deal with huge problems caused by a lack of skilled workers. Not only engineers are missing, but also mechanics, electricians and other craftsman. Among others, the most important reason for this is the demographic change the German society is facing. In order to recruit the best qualified employees in the needed amount successfully, German companies will have to use all their possibilities to win the battle for the most talented employees. Especially SME will have to search for new paths to find the appropriate employees. One new approach could be to focus on disabled workers: On the one hand, those who are already working within the company, on the other hand those which are new hired from the labour market. This article gives an overview about the impacts of the demographic change in Germany, especially for SME. Furthermore, the examination illuminates the three different pillars of the Workplace Health Management (WHM): occupational safety, prevention and the Corporate Integration Management (CIM) and shows a theoretical approach how the Workplace Health Management could be able to support the integration of disabled people. Summarized, away from the advantages for the entire workforce, the WHM includes effective tools for the operational integration of disabled employees and thus can increase the efficiency of the companies.

Keywords: disabled employees, Workplace Health Management, SME, demographic change, Human Resource Management

1. Introduction

The German labour market has to deal with huge problems caused by a lack of skilled workers in the near future. Not only engineers are missing, but also mechanics, electricians and other craftsman (Bundesagentur für Arbeit, 2013). Because of the inherent structural characteristics (i.e. short-term personal planning, used search strategies and less attractive working conditions (IAB, 2015)) and the fewer financial resources than the large companies the German SME are in particular affected by these problems. Beside the reason that knowledge, which is more difficult to generate for SME than for large companies, is fast becoming the driving force behind labour market competitiveness (Czeglédi-Juhász, 2013) one of the most important reasons for these problems is the demographic change which will change the consistence of the German society. Current reports of the federal statistic service show a decline of the people in the employable age from 15,6 millions in the year 2011 to 12,9 million in 2030 (Federal statistic service 2011). In the same time period the over 65 age-group will increase from 16,7 million to 22,3 million. The predicted “war for talents” will require new ways in the Human Resource Management of the companies. Results of the medium-sized panel of the Federation of German Industries by the end of 2014 (BDI 2014) showed that 90,7 % of the participated companies stated that they apply special measures to recruit and train skilled workers. The applied actions were company-based training (64,1%),

flexible work time models (52,3%), expansion of the occupational training (51,4%), options making it easier to reconcile work and family life (34,8%) and strengthen recruitment of older workers (33, 9 %) as response for the demographic challenge (Marosne Kuna, Czegledi et al., 2013).

In addition to the already undertaken measures, a new approach could be to focus on disabled workers: On the one hand, those who are already working within the company, on the other hand those which are new hired from the labour market. The current situation for disabled in the German labour market depends very much on the individual age, qualifications and the degree of disability, which makes it difficult to find general conclusions. At the end of 2014, about 178.000 people with disabilities were unemployment in Germany (Bundesagentur für Arbeit, 2014). In comparison: The overall unemployment rate was about 6,4 % (Federal statistic service, 2015):. Almost 40 % of the jobless disabled were 55 years or older. High qualified disabled have typically fewer problems to find an adequate job compared to disabled without these skills and qualifications, however, compared to able bodied people their chances to end unemployment are slightly worse.

Away from the social aspects, it is necessary to consider the economic impacts: Facing the demographic change, the German economy can hardly allow a waste of working force. In this sense, two elements are important and will become more important in the near future: An intensive examination with the question how to support the health of the personnel body within the companies to avoid sickness and followed by that disabilities on the one hand, and how to improve integration chances for disabled on the other hand.

The Workplace Health Management (WHM) is an upcoming approach within the Human Resource Management. As a theoretical approach, this article aims to show which impacts the WHM could provide for other fields (indirect-effects) like the field of the integration of disabled.

2. The impacts on German SME sector

The resilience and good performance of the German economy during the last decade to a great extent has its roots in a strong and stable SME segment. Often referred to as the “backbone of the German economy”, the German *Mittelstand* with its longstanding record of high employment and productivity increasingly raises interest abroad, where decision makers are keen to learn from the German model (BMW, 2013). Obviously, there are specific factors unique to the German *Mittelstand* which account for its success and superior performance as well as its stabilizing role in the German economy. German Small and medium sized Enterprises are in fact the backbone of the German Economy. More than 99% of the German companies are SME. Therefore, the SME were in the focus of many research projects. But not only had the scientific community a strong interest to generate insights about the German SME and especially about their macroeconomic role within the German economy.

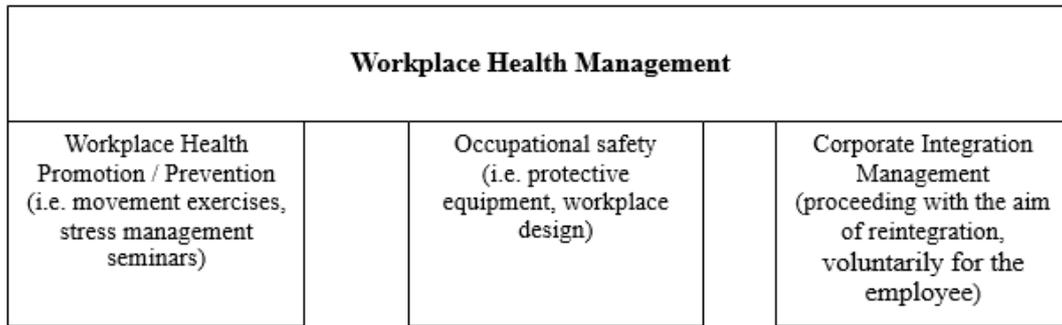
Policy makers and many more organizations – public and private - had a strong interest to find out more about SME and especially which factors are most important for the market success or failure. This has led to many research results during the last years about German SME and their role for the economy, as well as about SME in Europe, too. SME were in the focus of research very often because of their macro-level importance and their role as *engines for innovation* or for their importance as employers, (more than 50 % of the German employees work for SME). However, there’s only few data (particularly) about the internal processes of German SME concerning their recruitment of personal or the qualification of their workers and how these processes are, organized, monitored and evaluated etc. This lack of data obtained from field work results is quite remarkable, because that would allow to shed some light on some very important aspects which are essential for the performance of SME,

e.g. for their Human Resource Management. The skills and qualifications of the SME staff is a crucial and most important element for the German SME that survive and compensate some disadvantages they have compared to big Companies. The SME provide typically special tailored solutions and offer a product-orientated service at the same time. This requires a special know-how and highly qualified staff. Compared with big companies they have some typical disadvantages like difficulties to get access to the financial market or the lack of an organized personal recruitment which is furthermore not supported by a specialized unit within the SME. For example SME in the manufacturing branch have an increased demand for high quality equipment and machinery and high skilled employees. The markets they are in represent a major trade partner for export-oriented German SME in the industrial sector. SME which are engaged in the manufacturing businesses have a strong orientation toward foreign markets, and these companies are highly productive, show high investment ratios, and are responsible for a substantial share of employment. While this exposure in the markets of the emerging countries also bares a certain risk, these SME engaged in the manufacturing industry represent an important stimulus for growth and increase of the competitiveness of the economy as a whole (Tchouvakhina and Schwartz, 2013). Data that focuses on disabled and/or SME is quite rare. Data is usually collected by authorities in order to perform legal tasks like calculating social insurance fees. A study of the IAW, the institute for work and economy of the University Bremen in the year 2011 (IAW, 2011) showed, that about seven million disabled lived in Germany, among them there were about three million disabled people between 15 and 65 years of age (potential employees), about three quarters or 2, 2 millions of them were employed. Empirical information about the number of disabled people within SME, like data about disabled in general, is pretty poor. Relevant data is typically collected by German authorities to perform legal tasks like calculating fees for the social insurance. Nevertheless, knowing that as a rough rule of thumb 60 % of the employees are working for SME, the conclusion is possible that about 1, 3 million disabled people are employed in German SME.

3. Integration approaches

There are several approaches to support the integration of disabled into the German labour market. The tools and measures can basically be divided into two groups: Firstly, measures to integrate disabled people by financial support for the employers or by supporting their working environment which allows the handicapped people to start or continue working within the company. Secondly, measures to support the staff within the company to keep their productivity and performance by several approaches like the “Workplace Health Management” which is ideally embedded in a diversity framework concept. In this sense for the try to avoid early - retirement or loss of work-force as a consequence of long-term sickness the best option is prevention. Prevention within the companies in this sense can be organized by two of the three parts of the WHM: the Workplace Health Promotion and the Corporate Integration Management (CIM) (see Figure 1).

Figure 1: The “three-pillar-model” of the Workplace Health Management;



Source: own illustration based on iqpr 2005

3.1 General measures to integrate people with disabilities

The integration of people with disabilities in Germany is ruled by law. Depending on the type of disability and on the dimension the measures and support is individually organized. Quite a big number of authorities deal with integration of disabled and the number of law prescriptions is very big as well and is not the main focus of this paper. Basically, the kind of disability or sickness is not decisive if the handicapped people can proof their need of support by a medical expertise: the law meets the needs and interests of handicapped people and provides counselling, technical (like special equipment for the workplaces) and financial support if necessary.

Therefore there are many measures and possibilities in Germany to support the integration of people with disabilities into the labour market whether to keep the work for those who became sick or disabled during their employment or to integrate jobless handicapped. In case of financial support for the employers the basic idea is to compensate the reduced output of disabled employees especially at the beginning of their employment.

3.2 Workplace Health Management (WHM)

Beside the described below principal tasks of the WHM, this article aims to show possible indirect-effects for the integration of disabled people into a company.

The cradle of the Workplace Health Management lies in the 1986 Ottawa-Charter (Ottawa Charter for Health Promotion, 1986). Away from that the WHM arose out of the occupational safe, too. In Germany, the third important root is the social security code book IX (SGB IX). This contains the occupational integration of disabled and sick employees. For purpose of this article we use the WHM illustration called the “three-pillar-model” (iqpr 2005). This “three-pillar-model” is divided into the three segments workplace health promotion / prevention, occupational safety and the corporate integration management (see figure 1).

(1) The function of the occupational safety is to create and preserve healthy and sound working conditions. This work safety is supplemented by the accident prevention. The design of the occupational safety is done by the layout of work processes, work environment and equipment, the work organisation and the employment relationship itself. There are many tools for the integration of disabled people which are similar to the tools of the occupational health and safety protection and therefore similar to the WHM (about the same historical roots), i.e. large displays, special phones. About the proper functioning of the occupational health and safety protection tools, we think that in this area the WHM is not able to improve the integration.

(2) The workplace health promotion is aimed at prevention. The intention is to have influence on the behaviour of employees and the conditions at work. The target of the WHM is to improve the occupational health (Kaiser 2011). In the area of behavioural measures among

other movement exercises like sport groups, information events (e.g. nutrition), eye examinations, preventive medical check-up, vaccinations (e.g. flu vaccination) and stress management seminars or seminars for personal further development come into consideration (Baumanns & Münch 2010). The field of situational prevention pays attention to ergonomics at the workplace, management of working time, the organisation of workflow, nutrition-related measures and health promoting constructional measures. The tools for the integration of disabled people are pretty similar to the tools of the occupational health and safety protection and therefore similar to the WHM. In the section of prevention, disabled people can be better integrated into the company or work community by the implementation of joint actions and projects. These may have two important effects: First the not-handicapped employees become familiar with the handicapped people and as a result possible shyness anxieties can be reduced. Handicapped are perceived as colleagues and not as disabled. Second the handicapped may have more pleasure at the workplace (caused by more personal contact and the actions itself) and thus will have an increased willingness for integration into the company.

(3) The third mainstay, the Corporate Integration Management (CIM), is the last of the three pillars. The CIM was established by law in the year 2004 (§ 83 and § 84 SGB IX/social security code book IX). Aim of the CIM is on the one hand to support the employee to get over his actual disability and on the other hand to prevent a fresh disability and ultimately to receive the workplace of the concerned employee (Adlhoch et al. 2010). The CIM is a proceeding which has to be provided to an employee if he/she is ill more than six weeks in a year. In this case the employer has to provide an integration dialogue to start off the procedure for the employee. This applies not only for handicapped, but also for every employee in every company in Germany. The exact procedure of the CIM-proceeding is not fixed by law. About this it is possible for a company to adapt the proceeding to their own corporate situation and structure. The course of the proceeding will be agreed between the parties. This can be changes at the workplace, changes in the work-team or any other necessary measure. Important points are firstly that the CIM-proceeding is voluntarily for the employee (he/she can terminate it at any time) and secondly that the participants, which are intended to support the employee can be freely chosen by him/her (e.g. the disability manager, the superior, the commissioner for data protection, the corporate social counselling, the equal opportunities officer, the quality management manager, representatives of the health insurance funds and the social security benefits offices). In the field of CIM in the last ten years considerable experience has been gained. This is caused by the fact that the proceeding is prescribed by law and about that many companies were compelled to do integration-processes with not-handicapped employees. These facts launched an altogether different development within the companies. The integration process has been professionalized and now it is common practice in the companies. It is no longer a topic on the periphery which was not important enough to deserve the attention of the management. About these changes in the overall framework, the opportunities for disabled have changed, as well.

4. Conclusions

The social and economic framework in Germany will change massively in the next years. As the German economy depends on high-skilled staff and experts, new paths are needed for the companies to act successfully at the labour market and to hire needed employees. In this sense the focus on the integration of disabled people and the implementation of measures to keep the body of personnel healthy and efficient at the same time are promising approaches. Beside the principal tasks of the WHM, it seems that the WHM causes indirect-effects for the integration of disabled people into a company. In this relation the CIM-dialogue seems to be

the most appropriate tool to complement the existing tools in the integration of disabled people at companies' level. Supported by the actions in the field of the workplace health promotion, which are also very well suited to play an important role for the individually integration of the disabled into the work community. Additionally to the direct effects on the employees, one other indirect-effect may be that the support of disabled people has a positive influence of what and how people perceive about a company which could be a positive marketing instrument.

To examine the theoretical approach presented in this article, we suggest to carry out empirical investigations. The aim of these examinations should be to investigate which actions of the workplace health promotion (i.e. sport groups) are particularly suited to integrate disabled. Furthermore, it should be explored if the performance of CIM factual changed the position of the company managers towards the integration and reintegration. For this purpose, the companies which do not perform the CIM (despite the statutory obligation) could serve as reference groups.

Summarized, the WHM is not only a benefit for the entire workforce, but it may also be suitable to complement the existing tools for the operational integration of disabled employees.

References

1. Adlhoch, U. et al. (2010): Handlungsempfehlungen zum Betrieblichen Eingliederungsmanagement; Köln 2010.
2. Baumanns R., Münch E. (2010): Erfolg durch Investitionen in das Sozialkapital – Ein Fallbeispiel; in Badura, B. et al.; Betriebliche Gesundheitspolitik – Der Weg zur gesunden Organisation, Berlin 2010, p. 165 – 180.
3. BMWi, Bundesministerium für Wirtschaft und Technologie (2013): German Mittelstand: Engine of the German Economy. Federal Ministry of Economics and Technology, Public Relations Division, Berlin.
4. Bundesagentur für Arbeit [Federal Employment Agency] (Hrsg.) (2013): Der Arbeitsmarkt in Deutschland – Fachkräfteengpassanalyse, June 2013 Nürnberg, p. 5.
5. Bundesagentur für Arbeit [Federal Employment Agency] (Hrsg.) (2014): Der Arbeitsmarkt in Deutschland – Der Arbeitsmarkt für schwerbehindere Menschen [The labour market in Germany – The labour market for disabled people], November 2014, Nürnberg, p. 5.
6. Bundesverband der Deutschen Industrie e.V. (BDI) (2014): BDI/PwC-Mittelstandspanel - Industrieller Mittelstand zwischen Chancen und Risiken, 2014(2), Berlin 2014, p. 26.
7. Czeglédi, Cs.- Juhász, T. (2013): Role of Tertiary Education in Career and Life-long Learning Among Day-time Students (Based on Empirical Findings), The Journal of Education Culture and Society ISSN 2081-1640 2013/01 pp. 190-198
8. Institut für Arbeit und Wirtschaft [Institute for work and economy of the University Bremen] (IAW, 2011): Die Beschäftigung schwerbehinderter Menschen auf dem ersten Arbeitsmarkt [Employment of people with disabilities on the primary labour market], Freie Hansestadt Bremen und Universität Bremen 2011, p. 6.
9. Institut für Arbeits- und Berufsforschung [Institute for Employment Research] (IAB) 2015: Aktuelle Berichte; Betriebe im Wettbewerb um Arbeitskräfte - Bedarf, Engpässe und Rekrutierungsprozesse in Deutschland, 2015(5), Nürnberg.
10. iqpr / Institut für Qualitätssicherung in Prävention und Rehabilitation GmbH an der Deutschen Sporthochschule Köln [Institute for quality assurance and rehabilitation GmbH at the German Sport University Cologne] (2005): Förderung der Teilhabe am Arbeitsleben – Zwischenbericht – Strukturmodell des Betrieblichen Gesundheitsmanagements, Köln 2005, p. 8.iqpr /.

11. Kaiser, H. (2011): Abschlussbericht des Projektes „Gesunde Arbeit“, Hrsg: iqpr GmbH, Köln 2011, p. 11.
12. Ottawa Charter for Health Promotion (1986): First International Conference on Health Promotion, Ottawa, Canada, 17–21 November 1986, World Health Organisation.
13. Marosne Kuna, Zs, Czegledi, Cs. et al. (2013): Connection between demographic changes of people 45-64 years old people and their employment in V4 countries Annals of the polish association of agricultural and agribusiness economists, (ISSN: 1508-3535) 2013. xv.: (6) pp. 164-170.
14. Statistisches Bundesamt (Hrsg.) [Federal statistical service], (2011): Demografischer Wandel in Deutschland [Demographic change in Germany], Wiesbaden, p. 8ff.
15. Statistisches Bundesamt (Hrsg.) [Federal statistical service], (2015): Statistische Wochenberichte [Statistical weekly reports], 21. KW 2015, Wiesbaden, p. 9.
16. Tchouvakhina, M., Schwartz, M. (2013): Diversity is Crucial: How the SME Sector in Germany Compares with Others in Europe. KFW Economic Research, Focus on Economics, No. 24, July 2, 2013.

A NEW JOB – ONLINE RECRUITER BASED ON EVOLUTION OF E-RECRUITMENT

Beniamin G. BOȘCAI

Faculty of Economics and Business Administration, West University of Timisoara, Romania

E-mail: boscaibeni@yahoo.com

Summary: The evolution of e-recruitment in the last 15 years has led to the emergence of new techniques of recruitment for the traditional recruiter. These techniques can change the function of a simple recruiter in an online recruiter. In this paper, we have identified new tasks, skills and qualifications for the online recruiter function. „Recruitment is, in reality, job marketing” (Maurer and Liu, 2007), and this is the reason why online recruiter must constantly emphasize „the creation of a virtual recruiting environment” to attract talented employees which can provide long-term competitive advantage to organization. This virtual recruitment environment includes the company website that can be used in recruitment process, social networks and professional recruitment sites. Another online recruiter task is to create the opportunity and to motivate the colleagues in the organization, to participate in the recruitment process by posting and distributing available jobs in the virtual environment (social networks). The online recruiter must “cultivate a strong employment brand in online environment” (Ollington, Gibb and Harcourt, 2013). All these tasks require new skills and qualifications for recruiter.

The purpose of this paper is to create a job description for online recruiter. This job description suggests new tasks, skills and qualifications for traditional recruiter. It defines the scope of this new job, the duties and the responsibilities. The purpose of all these is the transformation of traditional recruiter in online recruiter.

The article ends with recommendations in terms of improving recruitment techniques and online practices.

Keywords: e-recruitment, job description, online recruiter

1. Introduction

E-recruitment is a subject often discussed in the specialized literature. In the mid of 1990s the Internet appears for the first time as a recruitment tool, giving rise to a phenomenon called in that time recruiting revolution (Boydell, 2002 quoted by Dhamija, 2012). Over the years, several synonymous terms describing the notion of e-recruitment were identified: e-recruitment, web-based recruiting, online recruiting, web recruiting, recruiting online, recruiting on the internet, electronic resume, internet recruiting, etc. (Wolfswinkel, Furtmueller and Wilderom, 2010).

E-recruiting experienced a strong development in a short time. Given the current context, the evolution of technology has made its mark in recruitment due to the large number of companies looking for candidates using the Internet, but the large number of candidates applying to a job using online tools. Finding a talented candidate that fits the job has become more difficult. E-recruitment represents a solution for companies that are trying to find the ideal candidate to generate them competitive advantage, helping also the candidate.

Dhamija (2012) shows that “e-recruiting revolutionized the complete recruiting process” and the Internet is “acting as a link between employers and job seekers”. These major changes in the recruitment filed, besides having greatly improved the work methods, they have created new work tasks for the recruiter.

Until now, many studies were focused on explaining the phenomenon of e-recruitment point of view of job seekers or employers. Over the years the studies regarding e-recruitment were made from several angles of various management-oriented subdisciplines such as information systems, marketing, psychology, and human resources, giving the field of its interdisciplinary slant (Wolfswinkel, Furtmueller and Wilderom, 2010).

The ultimate goal is to propose a new job, moving from the traditional recruiter to online recruiter.

2. E-recruiting evolution and design

Recruitment function occupies an important role in the organization because companies are always looking to attract the most talented employees on a job that can them generate competitive advantage. As the psychologist and physician George Crane said „There is no future in any job. The future lies in the man who holds the job „. Deillon (2014) explain very simple that e-recruitment „is a new technological mean for selecting one of the companies' most crucial resources, i.e. human resource „.

Wolfswinkel et al. (2010) identifies three important directions of e-recruitment: “adding recruiting pages to an existing organization site, using websites specialized in recruiting, and using electronic advertisements on media sites”. They define e-recruiting as “the online attraction and identification of potential employees using corporate or commercial recruiting websites, electronic advertisements on other websites, or an arbitrary combination of these channels including optional methods such as remote interviews and assessments, smart online search agents or interactive communication tools between recruiter and applicant.

For several years, the phenomenon of social networks stands out in the recruitment process. Ollington Nickolas et al. (2013) bring us into account several studies showing that „recruiters and companies are increasingly using online social networking to attract and screen candidates as part of the hiring process. They present a study realized by Careerbuilder.com in which 45% of companies use social recruiting. Another more recent study made by those from Jobovit.com (2014) shows that employers plan to increase their investment in a range of recruiting methods and on top (73%) of these methods is social networks.

These changes in the recruitment procedure lead to the need to manage some specific challenges for the recruiter. Once identified these challenges transform the traditional recruiter in an online recruiter who owns new skills, tasks and responsibilities.

3. The online recruiter – Job Description

With the advent of recruitment has been much talk about reducing costs and time spent in the recruiting stage. As e-recruitment has evolved, a transfer from the traditional recruitment to e-recruitment took place. This new way to attract candidates for a job also brought with it new tasks and responsibilities that change the traditional recruiter’s activity. These tasks and responsibilities require a new set of skills and qualifications that can create a new profession: „online recruiter”.

Companies need an online recruiter to adapt the recruitment process to the information age with the aim of „cultivated a strong employment brand in the online environment” (Ollington, Gibb and Harcourt, 2013). Another purpose for which we need the online recruiter is to attract applicants by building an online social network (Ollington, Gibb and Harcourt, 2013). Another online recruiter task is to create the opportunity and to motivate the colleagues in the organization, to participate in the recruitment process by posting and distributing available jobs in the virtual environment (social networks). Some tasks and responsibilities are similar to those of traditional recruiter.

Another online recruiter's task is to create the opportunity to motivate and the colleagues in the organization, to participate in the recruitment process by posting and distributing available jobs in the virtual environment (social networks).

Maurer and Liu (2007) say that „recruitment is, in reality, job marketing” and this is the reason why online recruiter must constantly emphasize “the creation of a virtual recruiting environment” to attract talented employees which can provide long-term competitive advantage to organization. This virtual recruitment environment includes the company website that can be used in recruitment process, social networks and professional recruitment sites.

We modified traditional recruiter job description only to highlight the duties and responsibilities of an online recruiter. The way these tasks are executed and finalized change the traditional recruiter's work, in fact all the developments of e-recruitment based on „Internet, has completely changed the role of the traditional recruiter „ (Dhamija, 2012).

4. Recommendations for improving online recruitment techniques and practices

Regarding the techniques and methods used in online recruitment, it should be noted that there is no formula for success, they have to be adapted and specifically selected for each recruitment action. All these techniques and methods show both advantages and disadvantages, the online recruiter's role is to select the much more suited methods depending on job and the company he represents.

For example the advantages of an organization career sites are: candidate relationship management, high interest in jobs by job applicants and integration with existing systems. The disadvantages are the needs for IT specialists and high up front development cost (Lee, 2007). The situation of these disadvantages could be changed by creating an online job recruiter that must have the necessary IT skills to maintain the career site, and thus the company will not need an IT specialist for maintenance.

A future research direction would be to measure the level of satisfaction of the online recruiter and applicant, as a result of experiences during the various stages of online recruitment process. An analysis about e-satisfaction can be influenced by the websites and online service quality (Constantin, 2012). This analyze can differentiate in an emerging economy the online recruitment tools that promise lower margins and no higher profits. (Boşcai, 2015).

The above guidance can be used to study the changes that take place when the traditional recruitment process turns into online recruitment, the study of these changes can lead to the improvement of online recruitment tools. The figure below illustrates four elements offered by an online recruitment tool, with examples of procedures. Then it suggests five dimensions about the quality of services that an online recruitment tool provides.

These approaches indicate the necessity of continuous research and improvement of factors to attract future applicants but also to meet the needs of the organization by attracting those candidates that can generate value to the company (Constantin, 2012).

“A recent trend is for employers and recruiters to utilize social networking sites to screen candidates as part of the hiring process” (Vicknair et al., 2010). In this article, Vicknair et al. propose additional studies conducted from the perspective of the employer/ recruiter's attitude to answer questions about how often these tools are used and what would be the industries that use them. In this way, the online recruiter can choose when it is relevant to use tools provided by social recruiting and when is not the case.

Vicknair et al. quotes Jacobs (2009) which defines the term social recruiting as “harnessing Web 2.0 technology developments and social media tools to communicate, employ, inform, and recruit our future talent”The use of such social networking websites allows recruiters to connect to a broad array of talented and capable candidates in niche communities” (Vicknair

et al., 2009). A disadvantage of these social networking websites is that applicants usually controls what they post and they would not post something that the employers would not like to see.

Future candidates must be prepared „for the new era of social recruitment” (Faliagka et al., 2012), they must have a profile on LinkedIn which they must update and invest time to have an extensive list of contacts, also the participation in online discussion in communities or blogs can give them greater visibility and thus can increase job offers.

Parry and Tyson (2008) after an analysis of the use and success of online recruitment identify some steps that employers must take in order to improve their success in using online recruitment methods. They identified four such steps: (1) driving traffic to a corporate website, (2) use of back-office functionality, (3) creation of a talent pool and (4) branding and the provision of information to candidates.

5. Conclusions

The Internet and the development of e-recruitment functions have changed the way the traditional recruiter perform his duties and responsibilities. These changes have led to the shaping of new jobs as „online recruiter,” which besides the fact that he has new tasks and responsibilities, he must possess certain qualifications that traditional recruiter does not have. These qualifications might be for database management, skills and web designer abilities, qualifications and skills to use and select the appropriate software in order to solve specific recruitment problems, etc.

It is necessary to build analytical methods for online recruitment tools, so that online recruiter can choose the tools that attract the most talented people with minimal resources.

Acknowledgement:

This work was supported from the European Social Fund through Sectorial Operational Programme Human Resources Development 2007 – 2013, project number POSDRU/159/1.5/S/134197, project title “Performance and Excellence in Postdoctoral Research in Romanian Economics Science Domain”

References

1. Boşcai G. Benjamin (2015): Niche Websites and online tools used in recruitment, Journal SEA - Practical Application of Science, Volume III, Issue 1 (7), http://sea.bxb.ro/Article/SEA_7_18.pdf.
2. Constantin Anca-Maria (2012): The antecedents of e-satisfaction and e-loyalty and the relationship between them, Timisoara Journal of Economics, eISSN: 1844-7139, volume 5, Issue 18, p. 236- 252, <http://www.tje.uvt.ro/index.php/tje/article/view/163/pdf>.
3. Deillon Céline (2014): The advantages and challenges of turning towards e-recruitment for small and medium sized businesses (SME). Thesis available at https://diuf.unifr.ch/main/is/sites/diuf.unifr.ch.main.is/files/documents/student-projects/S-2014_Celine_Deillon_0.pdf
4. Dhamija Pavitra (2012): E-recruitment: a road map towards. E-human Resource Management, International Refereed Research Journal Vol.– III, Issue–3(2),July, [33]
5. Faliagka Evanthia, Tsakalidis Athanasios, Tzimas Giannis (2012): An integrated e-recruitment system for automated personality mining and applicant ranking, Internet Research, Vol. 22 Iss: 5 pp. 551 – 568, <http://dx.doi.org/10.1108/10662241211271545>
6. <http://www.goodreads.com/quotes/140173-there-is-no-future-in-any-job-the-future-lies>

7. https://www.jobvite.com/wp-content/uploads/2014/10/Jobvite_SocialRecruiting_Survey_2014.pdf
8. Lee In (2007): An Architecture for a next - Generation Holistic E-recruiting System, Communications of the ACM, July 2007/Vol.50, No. 7.
9. Malinowski Jochen, Keim Tobias, Weitzel Tim (2005): Analyzing the Impact of IS Support on Recruitment Processes: An E-Recruitment Phase Model, AIS Electronic Library (AISeL), PACIS 2005 Proceedings Paper 81, <http://aisel.aisnet.org/pacis2005/81>
10. Maurer D. Steven, Liu Yuping (2007): Developing effective e-recruiting websites: Insights for managers from marketers, Business Horizons (2007) 50, 305–314. Available at: http://www.yupingliu.com/files/papers/maurer_liu_recruiting.pdf
11. Ollington Nickolas, Gibb Jenny, Harcourt Mark (2013): Online social networks: an emergent recruiter tool for attracting and screening, Personnel Review, Vol. 42 No. 3, 2013, pp. 248-265, Emerald Group Publishing Limited, 0048-3486, DOI 10.1108/00483481311320390
12. Parry Emma, Tyson Shaun (2008): An analysis of the use and success of online recruitment methods in the uk, Human Resource Management Journal, Volume 18, Issue 3, Pages 257-274, https://dspace.lib.cranfield.ac.uk/bitstream/1826/4228/1/Analysis_of_the_use_and_success_of_online_recruitment_methods_in_the_UK.pdf
13. Vicknair Jamie, Elkersh Dalia, Yancey Katie, Budden C. Michel (2010): The use of social networking websites as a recruiting tool for employers, American Journal of Business Education, Volume 3, Number 117, <http://www.cluteinstitute.com/ojs/index.php/AJBE/article/viewFile/57/55>
14. Wolfswinkel Joost, Furtmueller Elfi, Wilderom Celeste (2010): Reflecting on e-recruiting research using grounded theory, 18th European Conference on Information Systems, ECIS2010-0477.R1.

THE DOUBLE-EDGED SWORD OF GENDER EQUALITY PROGRAMMES A COMPARATIVE CASE STUDY AT THE MANAGEMENT OF A GERMAN AND A FRENCH AUTO MANUFACTURER

Mounia UTZERI

Corvinus University of Budapest, Hungary

E-mail: mounia.utzeri@yahoo.fr

Summary: Virtually all major auto manufacturers have adopted policies to promote gender equality and increase the proportion of women in their managerial ranks. However, progress is very slow paced and the automotive sector remains a male bastion. This study draws from Ely and Meyerson's fourfold conceptualisation of gender equality change in organisation to explore discrepancies between the espoused theoretical formulations and the practice of gender equality at two large auto manufacturers in France and Germany. The author used company's document analysis and semi-structured interview methods with male and female managers. The paper presents first selected results and is organised as follows: after a brief introductory part, the theoretical framework is described. Third, it maps and compares the gender equality programmes at the French and German case companies. Finally, it offers a thematic analysis of the interviews conducted.

Keywords: gender, diversity, management, organisation, equal opportunity

1. Introduction

Institutionalising forces such as the European Union push countries across Europe to put the issue of gender equality in management in the forefront of their corporate agenda. The critical question gender equality is particularly evident in an industry that has historically employed few women in most countries; namely the automotive industry. The European automotive industry is the largest producer of motor vehicle in the world, and employs nearly 13 million individuals in EU 27, with one fifth of the workforce being comprised of women. Hence, the sector has a great significance not only on the European level. The motor vehicle sector employs in France and Germany directly and respectively 749 and 225 thousands persons. Only 10% of women hold a managing position in Germany and 20% in France. Despite various measures implemented since decades to counter the striking gender disparity, the glass ceiling in the French and German automotive industry is firmly in place. Very few women are represented at the executive levels and on boards of directors. Consequently the focus of the present research is on the study of the interventions and initiatives for gender equity/gender diversity within a male dominated organisation.

2. Theoretical background

The conventional scholarly knowledge about gender issues in the workplace is captured by Fletcher and Ely (2003) in four approaches or "frames" for understanding what gender is and why inequities exist between men and women at work. Each frame implies a vision of gender equity and an approach for achieving that vision. (see table 1). The first three frames are rooted in the common tendency to think of gender as an individual characteristic, and gender issues as stemming primarily from differences between men and women. While interventions derived from these approaches have achieved significant equity gains for women, their impact

has been limited. The fourth frame instead provides a more complex approach to understanding and conceptualizing gender. As Meyerson and Kolb (2000: 563) argued, “gender is not primarily about women nor it is localized in discrimination practices; it is about the more general process of organizing itself. Gender is an axis of power, an organizing principle that shapes social structure, identities, and knowledge.” From this perspective, it is argued that organizations are inherently gendered. That is, the institutional arrangements of organizations are reflective of socially constructed sex differences where men are privileged and women are devalued or ignored (Acker, 1992; Meyerson & Kolb, 2000; Rao et al., 1999

Table 1: Four conceptual frames to gender equality in organisations

	Definition of gender	Problem definition	Vision of gender and equity	Approach to change	Benefits	Limitations
Fix the women	Socialised sex differences	Women lack skills, know-how to “play the game”	No differences between men and women, just like men	Develop women’s skills through training, mentoring, etc.	Helps individual women succeed, creates role models when they succeed	Leaves system and male standards intact, blames women as source of problem
Celebrate the differences	Socialised sex differences Separate spheres of activity	Women’s skills not valued or recognised	Differences recognised, valued, preserved	Diversity training: reward and celebrate differences “women’s ways”	Legitimate differences: feminine approach valued, tied to broader diversity initiatives	Reinforces stereotypes, leaves processes in place that reproduce differences
Create equal opportunities	Sex differences in treatment, access, opportunity	Differential structures of power and opportunity yield less access, fewer resources for women	Create level playing field By reducing structural barriers, biases	Policies to compensate for structural barriers, e.g. affirmative action, work-family benefits	Helps with recruiting, retaining, advancing women: eases work-family stress	Has minimal impact on organisational culture; backlash; work-family remains woman’s problem
Revise work culture	Central organising feature of social life embedded within belief systems, and social practices	Social practices designed by and for white, heterosexual men appear class-privileged but uphold differences	Process of identifying and revising oppressive social practices; gender no longer an axis of power	Emergent, localised process of incremental change, involving critique, new narratives and experimentation	Exposes apparent neutrality of practices as oppressive; more likely to change organisation culture; continuous process of learning	Resistance to deep change; difficult to sustain

Source: Ely and Meyerson (2000)

3. Aims, methods and data

The findings presented in this paper are part of a research project examining how gender equality interventions and other women advancement programmes as applied in the automotive organisations in France and Germany are functioning and designed on the one hand, and perceived and experienced by the individuals on the other hand. A qualitative case study approach comprising the analysis of company documents and semi-structured interviews was used. The case study method is an appropriate empirical research strategy to employ as it contributes to a holistic understanding of a phenomenon within its social context, ensuring that the complexities of the setting and its participants are taken into account (Stake, 2000; Yin, 2003). The field study generated data based on semi-structured interviews format comprising open-ended questions and addressed to 25 respondents, female and male executives from 28 to 59 years across the managerial hierarchies, in all core business units. The data were analysed using Ritchie and Lewis’s (2003) qualitative analytic hierarchy as a guide. The aim was to highlight managers’ own stories of equal opportunity and career advancement and hereby increase the understanding of how individuals view and experience gender equality and gender relations in a particular organisational setting.

4. Research findings and discussion

4.1 Mapping gender equality programmes

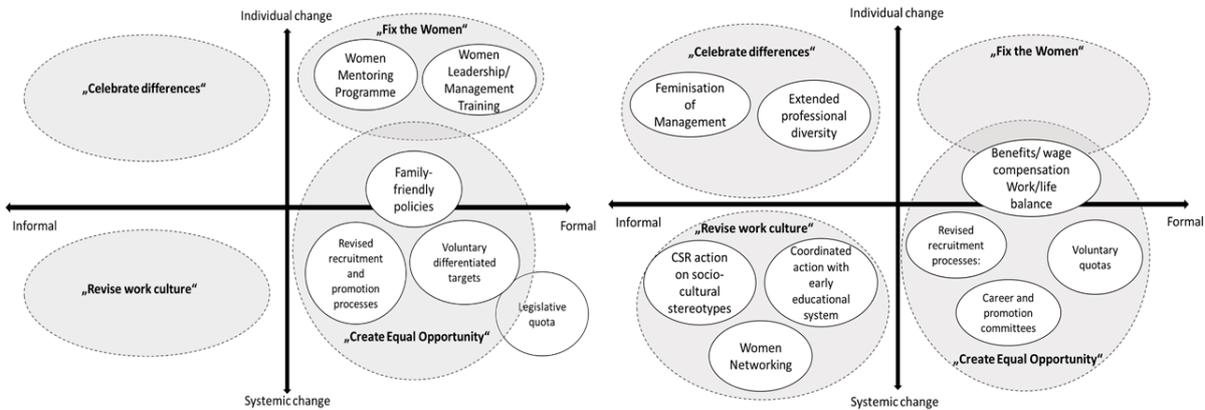
Central to both French and German case companies is the approach “Create Equal Opportunities”. The critical part of the approach is to create equal opportunity by eliminating discriminatory structural and procedural barriers. Interventions are legal and policy-based; they include in both companies affirmative initiatives, such as differentiated targets to increase the proportion of female apprentices, female skilled workers, female graduate and professional recruits and female executives. Revised recruiting, transparent selection procedures and promotion policies aim to make requirements more “neutral” so that women are more likely to be in the same situation and thus qualified for equal treatment. These are the building blocks of the so-called “meritocratic system”, based on supposedly objective criteria of education, experience and skills. Whereas the measures to combine work and family responsibilities, a significant component of the equal opportunity frame are addressed to both male and female employees, the largest majority of employees taking advantage of these policies remain the women, in France as well as in Germany. This can be partly explained by the lack of childcare infrastructure in Germany (Kurz 2006), the hybrid nature of family policy in France (Fagnani 2009) and by the gendered role cultures in both countries. In the management sphere, many women resist using these flexible work benefits for fear of doing so will harm their careers and create backlash (Rapoport et al. 2002. Bailyn 2006). This illustrates the “seemingly gender neutral” bureaucratic structure and the patriarchal structure still powerful in male organisational cultures (Acker 1990; Wajcman 1998).

The similarity between the French and the German company stops here. The other pendant and probably the most contested measure in the German company targets the individual’s barriers impeding women to advance in the management latter. The main rationale behind the women only advancement program is to equip the women with the necessary skills to play the game. Stemming from the liberal strain, the goal of the “Fix the women” is to minimize differences in experience, academic and business socialization between women and men so that women can compete as equals (Fletcher and Ely 2003, Kolb and Meyerson 2000). These interventions are ameliorative strategies organisations typically use as first response to difficulties in promoting and retaining women. However, the focus is on the individual level, not on changing the systemic factors within organizations and institutions that create an uneven playing field for women.

The French company instead has coupled its “Create Equal Opportunities” actions with the notion of “diversity” as key driver for company performance. This frame labelled as “Celebrate Differences” shifts the focus from eliminating difference to valuing “women’s difference” and in particular their so called “inclusive and collaborative management style”. It does not address the power of the masculine image that underlies most generally accepted models of occupations success, leadership, or managerial acumen. In addition, the French case company has developed a set of interventions initiated by the CSR (Corporate Social Responsibility) department of the company. These measures can be framed as “Revising the work culture”. Doing so, the French company acknowledges that organizations are inherently gendered and gender is considered a social rather than biological construct. (Acker 1990). The company approach focuses on a broader and open communication to combat against gender stereotyping and masculine images prevalent in the automotive industry, and by intervening directly in the educational institutions (i.e. high schools, university and engineering schools) and promoting women networking channels. These interventions are incremental and based on an ongoing process of inquiry, experimentation and learning conducted by CSR and HR units. The following matrices (see Figure 2) offer an overview of the interventions studied at

the French and German companies, and identify four areas of impact and change: formal and informal, individual and systemic. (Rao & Kelleher's 2005)

Figure 2: Comparison of gender equality programmes at the German and the French auto manufacturer



Source: Rao and Kellehar (2005) Impact and change of company actions, author's adaptation

4.2. Interviews results

In the following, first selected results are presented based on the interviews. Two main themes were identified and described in more details as follows.

4.2.1 Gender hierarchy and feminine deficiency

In most of the interviews, the basic hierarchical male dominated form of organisation is taken for granted in the company. Gendered hierarchy is normal, typical anodyne statements illustrate such taken-for-grantedness: *“There is one thing; in general, many men work in the automotive industry, which explains why there are more men in management than women. (R. Man in middle management)”*. By way of explanation to the question, why so few women in the industry and in managerial positions, the interviewees pointed out the lack of interest of women for technical studies or professions: *“I think also that there are just few women who are interested in and decide to make career in these fields. For example, more than 80% of our applicants and interns are men. (S. woman in lower management).”* Patriarchal gender order and masculine norms are thus constructed and maintained through a deep entrenched gendered discourse that identifies the problem at the level of women rather than at the level of the processes in the workplace into predominant male organisations (Ely & Meyerson 2000, Hannapi-Egger 2011).

4.2.2 Faith in the meritocratic system

The belief that competence only counts is a leitmotiv across the management levels and regardless the gender or the culture. *“I have shown and proved my competence. (T. Woman in high management).* As other studies have shown (e.g. Whitehead, 2002), both women and men can be ‘slow’ to perceive gender based disadvantage in the context of work – preferring instead to believe that the system is fair. Whereas young women noted the paucity of women at senior positions or in technical division in the organization, they justified and explained the disparity through individual deficiency (e.g. lack of ambition). From Kelan et al. (2009), key characteristics of Generation Y individuals a strong belief that gender equality has been

achieved: *“This (gender) might have had an impact for the older generations, but for our younger generation (R. Man in high management)”* Male and female respondents invoked a strong belief in the gender neutrality of their organisation. Notions of meritocracy, based on supposedly objective criteria of education, experience and skills, have strong purchase in understandings and applications of ‘fairness’ at work – suggesting that women can compete for jobs and promotion on the ‘same basis’ as men. At the same time, they mentioned that the social expectations and gender roles of may hinder the process of neutral competence evaluation. This supports Wajcman’s (1998) notion of ‘contemporary patriarchy’, i.e. the subordination of women within a framework of equality – a subordination based on the concealment of unequal outcomes and which can be difficult to detect. Faith in meritocracy as a ‘solution’ to gender disadvantage continues (Krefting, 2002) despite evidence that gender strongly defines managerial careers. For example, women remain in the minority on the vast majority of company boards (Ahmansson and Ohlund 2008; Vinnicombe et al. 2010) despite having amassed considerable human, and reputational, capital.

4.2.3 Affirmative actions vs. voluntary initiatives

Most of the male and female interviewees rejected the interventions aimed at women only, in particular gender quotas. Typical answers are *“I did not take part to any sort of women advancement program and consider this whole story as bullocks. We talked about with my supervisor at that time and said how ridiculous it was (T. Woman in high management).* These clear statements show two strong yet contradictory tendencies. On the one hand, the fear of feminine stigmata and accepting the masculine mould may lead to a polarisation of relations and in-group tension among women as pointed out by Campbell (2004), which as a result contribute to the maintenance of the “individual woman as a problem”. The status quo in relation to gendered hierarchies in the organisation is intact. On the other hand, women continue to construct their work identity against the mirror of male values (Wajcman 1998). Male managers unanimously rejected any forms of affirmative actions. They do not include themselves as actors in the gender debate, rather as passive observers although they possess a substantive knowledge about gender (in)equality in the workplace. They rather identified themselves as victims and showed resentment: *“It is unfair, ok women have several disadvantage in the organisation, but the problem lies somewhere else. Why men should be penalised and women shall get the straight line to management (F. men in middle management)”*. In addition, both male and female managers from both companies stressed the importance of voluntary interventions. They typically expressed the need to empower girls and young women at an early stage to enter technical education and careers within the automotive sector. According to them, interventions at an early age and more generally outside the company and providing a higher visibility of feminine role models are key actions.

5. Conclusions

Selected results of the first analysis of a French and German automotive company were presented, as it is still an ongoing research project. This paper has attempted to illustrate how promoting gender equality in a male dominated field is complex and can bring about unexpected pervert results. It became clear that despite the great variety and high number of policies, organisational processes and cultural gendered roles remain untouched and continue to obstruct women’s progress. The research reveals how the equal opportunity policies and the rhetoric of gender justice draw attention away from continuing disadvantage and privilege in both companies. At the organisational level, approaches to enhancing gender equity need to be customized and steadily reviewed, as the critics note that the focus on structural barriers or

individuals traits without systematic attention to underlying cultural norms and values related to gender, work and organisation is not enough to change organisations (Mescher et al. 2010).

References

1. Acker, J. 1990, Hierarchies, Jobs, Bodies: A Theory of Gendered Organizations. *Gender and Society*, 4, pp.139-158
2. Acker, J. 1992, From Sex Roles to Gendered Institutions. *Contemporary Sociology*, 21, pp. 565-569.
3. Åhmansson, G. & Öhlund, S. L. 2008. Male Hierarchies and Gender-balanced. Boards. *Indian Journal of Gender Studies*, 15 (3), pp. 485-505
4. Bailyn, L. 2006, *Breaking the Mold: Redesigning work for productive and satisfying lives*. Ithaca NY: Cornell University Press.
5. Campbell, A. (2004). Female Competition: Causes, Constraints, Content, and Context", *Journal of Sex Research*, 41(1): pp. 16-26
6. Ely, R. J. and Meyerson, D. E. 2000, Theories of gender in organizations: A new approach to organizational analysis and change. *Research in Organizational Behavior*, 22, pp. 103-151
7. Fagnani, J., Math, A. 2008, Family packages in eleven European countries: multiple approaches, in A. Leira and C. Saraceno (eds), *Childhood, Changing Context, Comparative Social Research*, vol. 25, Bingley; Emerald, JAI, pp. 55-78
8. Fletcher, J.K., Ely, R.J. 2003, *Introducing Gender: Overview*, Reader in Gender, Work and Organisation, Ely, Foldy and Scully (eds) Wiley Blackwell, pp. 3-9
9. Hanappi-Egger, E. (2011) *The Triple M of Organisations: Men, Management and Myth* (Vienna and New York; Springer)
10. Kelan, E.K. (2009) 'Gender Fatigue - The Ideological Dilemma of Gender Neutrality and Discrimination in Organisations', *Canadian Journal of Administrative Sciences*, 26 (3), pp. 197-210.
11. Krefting 2002 Re-presenting women executives: valorization and devalorization in US business press, *Women in Management Review* 5 (17), pp. 104-119
12. Meyerson, D. E., Kolb, D. M. 2000, Moving out of the 'armchair': Developing a framework to bridge the gap between feminist theory and practice, *Organization*, 7(4), pp. 553-571.
13. Kurz, C. 2006 Zwischen Prekarisierung und Akademisierung: Frauenerwerbstätigkeit in der Automobilindustrie, *SOFI Mitteilung*, 34, pp. 53-66
14. Mesher, S., Benshop, Y. & Dooreward, H. 2010, Representations of Work-Life Balance Support, *Human Relations*, 63 (1), pp. 21-39
15. Rao, A., Stuart, R., Kellehar, D. 1999, *Gender at work: Organisational Change for Equality*. West Hartford, Connecticut: Kumarian Press, Inc.
16. Rao, A., Kellehar, S. 2005, Is there life after gender mainstreaming? *Gender and Development*, 13(2), pp. 57-69
17. Rapoport, R., Baylin, L, Fletcher, J.K., Pruitt, B. H. 2002, *Beyond Work-Family Balance: Advancing Gender Equity and Workplace Performance*, San Fransisco, CA, Jasse-Bass
18. Ritchie, J. & Lewis J. 2003, *A Guide for Social Science Students and Researchers*, London, Sage
19. Robson, C. 2002, *Real world research: A resource for social scientists and practitioners researchers* (2nd. Ed.) Oxford, UK: Blackwell Publishers
20. Stake, R. 2000, Case Studies. In N:K: Denzin & Y.S. Lincoln (eds) *Handbook of qualitative research*, Thousand Oaks, CA: Sage, pp. 435-454

21. Vinnicombe, S. Sealy, R. Graham, J. & Doldor, E. The female FTSE board report 2010: opening up the appointment process. Cranfield University School of Management. 2010.
22. Wajcman, J. 1998, *Managing like a man: women and men in corporate management* Polity Press in association with Blackwell Publishers Ltd., Cambridge, UK
23. Whitehead, S. 2002, Hegemonic Masculinity Revisited, *Gender, Work & Organization* 6 (1), pp. 58–62
24. Yin, R. K. 2003, *Case Study Research: Design and Methods* (3rd ed) Thousands Oaks, CA: Sage

SHARING THE COMMON GOOD IN THE CONTEXT OF THE FLOW OF SOCIAL CAPITAL IN SOCIAL NETWORKS

Katarzyna KUKOWSKA, Sebastian SKOLIK

Częstochowa University of Technology, Częstochowa, Poland

E-mail: katarzynakukowska@poczta.onet.pl

Summary: Interest in social capital in various teachings, as a consequence, boils down to an analysis of the benefits to individuals and communities and related interpersonal relationship and institutional networks. The literature used indicates that social capital is a common good, not private or public, regardless of whether it is located in the communities of organizations or community nature. It is treated as a resource in addition, anchored in the network, from which they can benefit people with access to the network. The aim of this article is to attempt to answer a number of questions regarding the sharing of social capital, taking into account an interdisciplinary approach to issues.

Keywords: common good, social capital, social networks

1. Introduction

Possession of goods is one of the basic motivations of a human being; it especially motivates human economic activity. Such approach refers to the issue of economic capital; nevertheless the notion of a good may be also referred to social capital. It is significant that according to the idea of social capital, the access to the common goods is considered in the context of their position within the network of social relationships. The members of the networks of interpersonal relationships activate capital accumulated within these networks, at the same time they become beneficiaries of the goods located in the network.

The idea of network became popular in the texts from the field of social sciences together with the development of digital technologies and the Internet. The precursory research methodology concerning social networks was initiated in a form of sociometry by Moreno in the first half of the 20th century (Bendyk, 2004,). Whereas advanced network analysis has been developed since the 1970s (Turner, 2004,). Średnicka, following Tapscott (1996) claims that the first decade of the 21st century initiates the era of networked intelligence, which may lead to creation of new economic structures and new society (Średnicka, 2011). On the other hand, Słocińska (2012), while characterizing the scientific approach to the organized forms of human activity, links logic of networking to performative approach. According to this approach, for functioning of collective entities, people and their behaviours are more important than structures and features of an organization.

2. Participation and interpersonal relationships within social networks

Highlighting positive character of creating new society and new structures is an approach as old as sociology itself, which nominal founder is a positivist conceptualist, Comte. Nevertheless, social and structural changes cannot be belittled. The catalyst for the above-mentioned changes is rapid development of digital technologies. Because of that, the structures themselves cannot be neglected by adopting only humanistic approach. It seems that scientific division into humanistic (social) and natural aspects is relevant only for the representatives of social sciences (Berghe, 2006).

Social capital, the basis of which is a network of social relationships, is created on the basis of mutual trust as well as mutual obligations (Stelmaszczyk, 2011). They foster creation of the information-flow networks. Paradoxically, network structure in particular cases is being created from the group of people not aiming to create such a network. An example of such a structure may be a group of people joining the network of Multi Level Marketing, initially as consumers (Bazan-Bulanda, 2014). Structures of MLM created by the system of registration of individuals in the Internet portal become exclusive towards people digitally excluded. Analysing network organizations in the broad context, some authors even claim, that trust in such organizations is short-term and depersonalized (Bylok, 2014). It may be concluded that a long-reaching consequence of network openness may cause loss of trust. Stelmaszczyk (2011) proves that trust noticeable while expressing oneself is dependent on the circumstances and the strength of ties within the network. Nevertheless, Słocińska (2012) advocated that in the networks there is no space for people characterized by Machiavellianism. People showing such type of behaviours, especially blocking the flow of information, are rejected. Therefore, it may be assumed that social groups organized in a form of a network are able to deal with the „free riders”, whose actions could lead to loss of trust. Hence, trust cannot be a short-term phenomenon in case of opening of a network. It should be rather presumed, that maintaining trust with simultaneous opening of the network requires existence of a permanent root. An effect of this is „crystallization” (stiffening) of a social network (Skolik, 2014).

According to Stelmaszczyk (2011), in order to have the relationships among partners existing, including trust, they have to be attractive for each other, and the type of attractiveness is dependent on similarities in various dimensions. It seems, that the position of Średnicka (2011) is similar. The author claims that networking leads to increase in the frequency of relationships „ad hoc” (taking into account not necessary attractive „strangers”), and through this, to tensions and uncertainty. From this point of view, the implicit network has not structuralized form. Every new user of the network is a potential rival in the access to the goods. Assuming, that the network has its permanent root (the most active and relatively the longest functioning members in a given network), every new member is treated the same way, and their different values may be potential assets for social capital. What is more, rather for people joining the group, created relationships in the network may seem to be full of tensions and ambiguities. It would be also difficult to agree that with the risk arising from interdependence of many networks, members involved in the networks every single time have to discuss the matters concerning binding decisions (Średnicka, 2011). Sometimes the loss of access to the assets of the social capital may be the lower cost than the use of energy and psychological costs connected with the decision making process.

3. Structure of networks versus hierarchy

The key elements of the networks are the nodes, defining their spatial structure. According to Słocińska, the modern analogy to the system of roads, at the crossroads of which the transfer of knowledge occurs, is cyberspace (Słocińska, 2012). The notion of nodes in the context of analysis of relationships of an individual with the space of activities is much older. It was used in the 1960s by Lynch (1990) for analyses of cognitive maps. As far as for Lynch the nodes referred to space, in the texts concerning information society, the term means the key members of the networks (Castells, 2007, pp. 412-413), creating „the root of the network”. Further elements of the network structure are the connections between the nodes, which in the context of social capital lead to an effect of synergy. According to Bartkowski, these connections are based on the values, models, atmosphere of cooperation and trust, sense of belonging, loyalty, cooperative approach, readiness for cooperation for community (Bartkowski 2007, pp. 84-85). Dyduch (2011) claimed that failure to build the relationships

between the participants of the network might stop the development of innovation and initiative. It is worth considering, to what extent the strength of the ties (intensity of involvement and frequency of relationships), would be optimal for innovative activities. In accordance with the ideas referring to the problem of social deviations, innovations are the main deviations towards conformist activities (Merton, 2002). Whereas conformism may be considered as an effect of creating strong relationships and avoiding risky (innovative) behaviours.

Apart from the above mentioned elements of the network structure in the description the following elements are also taken into account: network density, size, centralization, heterogeneity (Bylok, 2013). In the network analysis, it is important to focus on the elements such as: links, equivalence, bridges and number of links, reciprocation, transitivity and power (Turner 2002, pp. 605-613). Besides the structural dimension of social capital presented this way, there are also discussed cognitive approaches referring to the organizational culture and relational approach – connected with the rules and trust (Nahapiet and Ghoshal, 1998). Dependently on the configuration, network may have more egalitarian, or more hierarchical form. In case formal organizations, hierarchical networks are characterized by lower density, and a manager is a clear, central node. In case of egalitarian networks there are not any clear nodes – there is no center, and managers are relatively more distanced towards personnel (Bylok 2013). Such forms may be analysed methodologically as ideal types, from which the intermediate models may be constructed. If, thanks to the development of modern technologies, the space became shrunken and caused progressive thickening of the network structure (Słocińska, 2012), it may be concluded, that such phenomenon would lead to gradual equalization of social networks in the organizations.

According to Średnicka „[at] the level of a country and organization various networks intersect and it is not possible to have them organized in a form of a hierarchical structure” (Średnicka 2011, p. 101). It would be hard to say whether in fact the size of a network and dissemination of networking could lead to simultaneous disappearance of hierarchical structure. Even in the network environment of a cyberspace, which is not orderly, locally emerge and strengthen hierarchies (Skolik, 2012).

4. Access to the common goods within networks of social capital

The essence of functioning of social networks is potential identified with social capital (Bartkowski, 2007), where interpersonal relationships generate connections between the assets. They are activated and „socialized” within the networks of social capital (Bartkowski 2007, p. 84). According to scientific literature, activating of the assets is connected with the issue of diffusion of networking, e.g. from the countries of Western Europe to the Central European area (Średnicka, 2011). It would mean that social capital was created together with development of democratic, free-market societies (Przybysz and Sauś, 2004). Nevertheless, it has to be assumed that network structures had been existing much earlier – in the period of development of inquisition (Bendyk, 2004).

Creating of the network structures secondarily contribute to the phenomenon of intercepting the assets located in the social relationships (Pogonowska, 2004). The profits from the network are mostly earned by the communities creating common goods, but it may be also of some benefit for people, who to some smaller extent contribute to the production of social capital as well. Besides, the networks are created as a result of the need for joint creation of profits (Lin, 2002). From the neoliberal point of view, common goods are prone to be destroyed, or damaged, if they are not privatized. According to the „New institutionalism” common goods are not stored, or destroyed, if the communities using them: designate the borders for the place in which the goods will be located; adjust the rules to the local needs, but

the rules may also be modified by the members of the communities; sanctions are graded and there is the possibility to monitor actions of individuals (Hofmokl, 2009, pp. 40-41). Manufactured economic goods may be replaceable by other forms of capital, including social capital (Bartkowski, 2007). Transactions, therefore, transformations of various forms of capital into other forms, are connected with different costs that can limit the loose of action. At the same time, some of the costs may be borne in order to protect the rules of mutuality (Bartkowski 2007).

5. Conclusions

If cooperation reduces risk, it is not because of elimination of deviant behaviours, but because of limited tolerance. Existing rules are not reified, but constantly socially negotiated. Otherwise, it would cause closing the communities in the state of lack of trust and ostracism against the new members. If the models of cooperation are cultural matrix, it does not mean that they are „monoliths”. In the network environment, the models have greater chance to survive, the effect of what is maintenance and enriching of the assets. If the social capital enables innovations, it happens thanks to the possibility of using common goods, including knowledge about mistakes. For survival of the network of assets of social capital there should be kept greater balance between chaos of deviations, and stagnation of normative order.

References

1. Bartkowski J. (2007): Kapitał społeczny i jego oddziaływanie na rozwój w ujęciu socjologicznym, in: Kapitał ludzki i kapitał społeczny a rozwój regionalny, ed. M. Herbst, Scholar, Warszawa.
2. Bazan-Bulanda A. (2014): Rola Internetu w rozwoju marketingu sieciowego (studium przypadku), in: Współczesny marketing i logistyka - globalne wyzwania, eds K. Pieniak-Lendzion, T. Nowogródzka, Wydawnictwo Uniwersytetu Przyrodniczo-Humanistycznego w Siedlcach, Siedlce.
3. Bendyk E. (2004): Antymatrix. Człowiek w labiryncie sieci, Wydawnictwo W.A.B., Warszawa.
4. Berghe P.L. van den (2006): Łączenie paradygmatów: biologia i nauki społeczne, in: Współczesne teorie socjologiczne, eds. A. Jasińska-Kania, L.M. Nijakowski, J. Szacki, M. Ziółkowski, Wydawnictwo Naukowe SCHOLAR, Warszawa.
5. Byłok F. (2014): Globalizacja i sieciowość a zaufanie społeczne na współczesnym rynku, in: Perspektywy rozwoju społeczeństwa sieciowego w Europie Środkowej i Wschodniej, ed. S. Partycki, Wydawnictwo KUL, Lublin.
6. Byłok F. (2013): Kapitał społeczny jako czynnik rozwoju szkoły wyższej, in: Edukacja - Praca - Kariera. 40 lat Polskiej Pedagogiki Pracy, eds F. Szlosek, H. Bednarczyk, Wydawnictwo Naukowe Instytutu Technologii Eksploatacji – PIB, Warszawa – Radom.
7. Castells M., (2007): Społeczeństwo sieci, PWN, Warszawa.
8. Dyduch W. (2011): Rozwój organizacji Górnego Śląska w oparciu o kapitał społeczny i przedsiębiorczość, in: Od badania do działania. Analiza trendów rozwojowych i zmian gospodarczych w obszarze Górnośląskiego Związku Metropolitalnego, eds M.S. Szczepański, G. Gawron, P. Rojek-Adamek, WSzZiNS w Tychach, Tychy.
9. Hofmokl J. (2009): Internet jako nowe dobro wspólne, Wydawnictwa Akademickie i Profesjonalne, Warszawa.

10. Lin N. (2002): Building a Network of Social Capital, in: The Role of Social Capital In Development. An Empirical Assesment, eds Ch. Grootaert, Th. van Bastelaer, Cambridge University Press, Cambridge.
11. Lynch K. (1990): The Image of the City, MIT Press, Cambridge, London.
12. Merton R.K. (2002): Teoria socjologiczna i struktura społeczna, PWN, Warszawa.
13. Pawłowski B. ed. (2009): Biologia atrakcyjności człowieka, Wydawnictwo Uniwersytetu Warszawskiego, Warszawa.
14. Nahapiet J., Ghosal S. (1998): Social capital, intellectual and capital and the organizational Advantage, „*The Academy of Management Review*”, vol. 23 no. 2, pp. 242-269.
15. Pogonowska B. (2004): Kapitał społeczny - próba rekonstrukcji kategorii pojęciowej, in: Kapitał społeczny - aspekty teoretyczne i praktyczne, ed. H. Januszek, Wydawnictwo AE w Poznaniu, Poznań.
16. Przybysz J., Sauś J. (2004): Kapitał społeczny. Szkice socjologiczno – ekonomiczne, Wydawnictwo Politechniki Poznańskiej, Poznań.
17. Skolik S. (2012): Partnership and Lidership as Main Relantionship in Wikimedia Projects, in: Human Resource Management and Corporate Competitiveness, eds Cs.B. Illés, Felician Bylok, Anna Dunay, Szent Istvan University Publishing, Gödöllő.
18. Skolik S. (2014): Ład organizacyjny a ład przestrzenny. Rola interfejsu w organizacji pracy internetowych wspólnot działań, in: Wybrane problemy zarządzania zasobami ludzkimi we współczesnych organizacjach, eds A. Bazan-Bulanda, E. Robak, WWZPCz, Częstochowa.
19. Słocińska A. (2012): Sieci jako czynnik kształtowania przedsiębiorczości w performatywnym ujęciu organizacji, „*Zeszyty Naukowe Ekonomiczne Problemy Usług Uniwersytet Szczeciński*”, 724, pp. 475-485.
20. Stelmaszczyk M. (2011): Menedżer a wpływ kultury organizacji na zarządzanie kapitałem społecznym w małym przedsiębiorstwie, in: Kapitał społeczny w organizacji i regionie, eds F. Bylok, A. Czarnecka, Wydawnictwo Politechniki Częstochowskiej, Częstochowa.
21. Średnicka J. (2011): Indywidualizacja i dyfuzja sieciowości. Refleksje nad przemianami społeczno-kulturowymi, „*Problemy zarządzania*”, Vol. 9, 2 (32), pp. 93-109.
22. Tapscott D. (1996): The Digital Economy: Promise and Peril in the Age of Networket Intelligence, McGraw-Hill, New York.
23. Turner J.H. (2004): Struktura teorii socjologicznej, PWN, Warszawa.

COMPETENCES EMPLOYEES ARE EXPECTED TO HAVE ON THE LABOUR MARKET

Ildikó BUDAVÁRI-TAKÁCS, Fruzsina Éva LUKÁCS, Csilla Judit SUHAJDA
Szent István University, Faculty of Economics and Social Sciences
E-mail: frulukacs@gmail.com

Summary: Competences that employees should have can be found most explicitly in advertisements for job vacancies. Studying these ads is not a new method, as Dieter Mertens (1974), German work pedagogist, based his theory on key competences on the analysis of ads for job vacancies in the 1970s. The aim of our research is to study key competences, competences of employees, and competences linked to specific work areas based on advertisements for jobs, thus representing the demands of the labour market. The theoretical background is the competence framework of József Nagy (2000). His theory defines 4 subcategories of competence: personal, social, cognitive and specific competence, and closely resembles the key competence framework of OECD published in 2005. Our research was carried out in 2013. We have systematically selected 300 job advertisements from a pool of 5000 ads. These 300 advertisements were then studied by collecting the terms that referred to personality traits, skills and competence, and the categorization of these terms into competence categories by experts. We used the subcategories of József Nagy (personal, social, cognitive and specific competence) in the process and listed competences based on the frequency of other variables (e.g. area of specialty of the job mentioned in the advertisement), as well. A clear innovation of the study is that key competences and specific competences, which are linked to a specific area of expertise, could be differentiated. In accordance with our hypothesis our findings suggest that the labour market demands few of the key competences from employees. The most frequent key competences mentioned are: communication skills, problem solving, independence, cooperation and creativity. As expected in our hypothesis, the most frequent specific competences were digital competence and competence in second (or other) language(s).

Key words: social, cognitive, personal and special competences, labour market, employee, employer

1. Introduction

Career management self-awareness demands that job seekers know what competences the labour market expects from them. Career management self-awareness is relatively low among Hungarian employees (Nagy, Budavári-Takács, 2014, Budavári-Takács, Csehné Papp, Jekkel, 2014). The aim of our study is to present how aware Hungarian job seekers are concerning competences that the labour market seeks from them.

In the past 50 years many competence models have been formed concerning the world of work (Spencer and Spencer 1993, Bartram, 2005, Kurz, 1999, Borman és Motowidlo, 1993, Hogan and Holland, 2003, Campbell, McCloy, Oppler, és Sager, 1993, Scullen, Mount, and Judge, 2003). At the Economy and Social Sciences Faculty of Szent István University studying the competences related to work and the labour market is a priority, that is why many important publications have been published in this topic in the last years (Bajor et al. 2001, Mészáros és mtsai, 2007, J. Klér, Budavári-Takács, 2010, Varga, Vas, Szira, Bárdos, 2013, Csehné Papp, 2007). The research (Bajor et al. 2001) carried out by the Management

Department of Economy and Social Sciences Faculty of Szent István University, funded by Tempus Public Foundation, lists communication, the ability to quantify, teamwork, problem solving, learning and performance as pivotal key competences on the labour market.

In our research we have used the competence model of József Nagy (2000) as our theoretical background, as it makes competences expected from employees easy to grasp. This theory resembles closely the key competence framework of work that was introduced by OECD (Organization for Economic Co-operation and Development) in 2005.

The theoretical framework specifies four competence categories that are built up from subcategories. It distinguishes personal, cognitive, social and specific (work related) competences. In our previous study (Budavári-Takács, Suhajda, 2015) we defined what competences were included in each of these categories and what they meant based on competences found in job advertisements (see Table 1.)

Table 1. Definitions of personal, cognitive, social and special competences based on analyses of job advertisements (n=311)

Personal	Social	Cognitive	Special
Activity: energetic, dynamic and agile personality Adaptability: flexible personality, adaptability to changing work conditions, willingness to be mobile Outcome orientation: outcome, solution, performance and success oriented personality Liability: precision, thoroughness and liability in work Creativity: creative and constructive thinking Self-confidence: confident and firm appearance Responsibility: responsible personality Independence: the ability to work alone, high range of independence Proactivity: proactive and energetic personality, being an originator Stamina: the ability to work hard and enduring,	Cooperation: the ability to cooperate, be part of teamwork and cooperate with others The ability to make contact: open, easy-going personality, the ability to connect to other people Communication: good communication skills Management: the ability to organize, coordinate, plan and manage Empathy: amiable, friendly, helpful approach to others, client-oriented approach	Analytic thinking: the ability to analyze and integrate, analytic thinking The ability to bear monotony Problem solving: problem solving thinking Strategic thinking	Foreign language literacy : knowledge of foreign languages (on different levels) Digital competence Entrepreneurship: business 'spirit', sales approach

Source: own compilation

2. The Survey

2.1. Examining job advertisements

The scope of our experiment is to analyze the content of job advertisements on the website 'jobline.hu'. We analyzed 311 job ads. The sample only included ads for Budapest and for full-time jobs. We gathered our sample at three different times (Mészáros, 2014). The first sampling was on 11th January, the second on 11th February and the third on 11th March. Thanks to this sampling method we got an overview of the first quadrant of 2013 concerning ads. At each sampling time we collected in every area of specialty four- four ads at ISCED 3-5 level and at ISCED 6 level or higher, if possible. (Areas of specialties were defined by the clustering of jobline.hu). We analyzed 132 ads with ISCED 5, and 179 ads with ISCED 6 level education in their requirements. We analyzed the content of each ad's requirements section. Words used here were collected, listed and clustered based on József Nagy's competence model. Two independent experts participated in this job.

2.2. Survey for employees

Employees filled out an online questionnaire, where we gave them a list of competences found in job ads. Subjects had to decide on how important they think competences are for employers. The questionnaire was filled out by 112 persons, 42% of them were men, 58% of them women. Their age division :11% 17-20 years old , 69% 20-30 years old, 10% 30-40 years old and 9 % 40-50 years old. The mean age of the sample is 26 years, which means that our study represents the attitudes of young adults the most. 65% of the sample completed secondary education or is currently studying there and 35 % graduated university.

2.3. Hypotheses

We hypothesize that competences ranked first to fifth in importance by employers concerning employees will include competences related to employability (regardless of area of specialty). For the key competences of employability we used the definition of the Employability Working Group Report (2009), that lists the following competences: problem solving, stamina, the ability to work alone, working without clear instructions, loyalty, outcome orientation, leadership, openness to group work, literacy in foreign language, ICT skills, management skills, risk taking, liability, career management self-awareness.

Our own list of competences gathered from the ads includes the following employability competences: literacy in foreign language, digital competence, problem solving, stamina, independence, liability, outcome orientation, cooperation, communication, leadership.

We hypothesize that competences chosen as important by employees do not overlap with competences chosen by employers, resulting in low level of career management skills on the employee's part.

3. Results

We gathered the words for the requirements of the 311 job advertisements in a previous research (Budavári-Takács, Suhajda, 2015). Based on József Nagy's competence framework we clustered requirements into four groups according to their content. We managed to list 23 competences this way (see *Table 1.*). We listed the frequency of competences based on the job ads, and then ordered a frequency rank to the competence (Budavári-Takács, Suhajda, 2015). Then we analyzed the frequency rank of competence by educational level and area of specialty.

Proving our hypothesis, key competences related to employability dominate in ads for jobs requiring secondary school level training (*Table 2.*), as well as, university level training (*Table 3.*) In the tables (*Table 2. and Table 3.*) we marked with an X if the given competence ranked important (1st to 5th) in that area of specialty that marks the column. As can be seen from the data, the most common competences required by job ads are: literacy in foreign language, digital competence, communication, liability and stamina.

Table 2. Competences ranking 1st-5th by area of specialty among ads requiring secondary school level (ISCED 3- 5) training (n=132)

		Administration, assistance	bank, insurance	Supply and logistics	Health care	Sales, trade	HR, occupational	IT-informatics	marketing-PR	Engineering, technical	Finance, accounting	Physical jobs	Customer service	Tourism
social	cooperation							X		X				
	emphaty		X										X	X
	ability to make contact								X					
personal	communication	X	X	X	X	X	X		X		X		X	X
	outcome orientation					X								
	liability	X			X		X	X	X	X	X	X		
	self-confidence		X											
	responsibility							X				X		
	independence	X		X	X		X				X		X	
	proactivity					X								
cognitive	stamina			X	X				X	X	X	X		X
	ability to bear monotony											X		
	problem solving		X											
special	other	X		X										
	literacy in foreign language							X	X	X	X		X	X
	digital competence	X	X	X	X	X	X	X		X		X	X	X
	entrepreneurship					X								

Source: own research

When cross-examining competences desired by employers in job advertisements and the beliefs of employers about competences that employers look for (see Table 4.), we can state that the level of career-management skills is not as low among employees as we hypothesized. Both persons with secondary school diplomas and the ones with university degrees listed competences in their top 10 list that employers mentioned in their advertisements as well. One major problem though is that persons with secondary school diplomas still do not realize the importance of literacy in foreign language(s), as they did not list it in their top ten.

Table 3. Competences ranking 1st-5th by area of specialty among ads requiring university level training (n=179)

		administration, assistance	bank, insurance	Supply and logistics	management	health care	Sales, trade	HR, occupational	IT, informatics	law, civil service	Research and development	marketing-PR	Engineering, technical	Quality assurance	Finance, accounting	Customer service
social	cooperation							X	X			X	X			X
	communication	X	X	X	X		X	X	X	X		X	X	X	X	X
personal	liability	X	X			X	X	X		X			X		X	
	independence	X	X	X				X	X	X	X	X	X	X	X	
	proactivity					X										
cognitive	analytical thinking							X								
	creativity					X					X					
	problem solving												X			X
special	Literacy in foreign language	X	X	X	X	X	X		X	X	X	X	X	X	X	X
	Digital competence	X	X	X	X	X	X		X	X	X	X		X	X	X
	Special knowledge			X	X		X									

Source: own research

Persons with university degrees have not mentioned one of the most commonly (rank 3) expected key competence: liability in their top ten competences they believe employers look for (Table 4.). This result is extremely interesting as this group consists of young adults and the most important psychological criteria of adulthood are liability.

Table 4. Frequency rank of competence needs of employers based on content analyses of job ads (n=311) and the beliefs of employees about the needed competences, divided by necessary education level (secondary/ university degree)

Persons with secondary education			Persons with university degree		
Job ads- needs of employers	rank	Survey- beliefs of employees	Job ads- needs of employers	rank	Survey- beliefs of employees
communication	1	problem solving	communication	1	literacy in foreign language
liability	2	responsibility	literacy in foreign language	2	problem solving
digital competence	3	stamina	liability	3	communication
independence	4	ability to bear monotony	independence	4	digital competence
literacy in foreign language	5	cooperation	digital competence	5	cooperation
stamina	6	liability	cooperation	6	decision-making
cooperation	7	independence	problem solving	7	competitiveness
empathy	8	digital competence	analytic thinking	8	independence
self-confidence	9	willingness to learn	stamina	9	willingness to learn
problem solving	10	communication	activity	10	stamina

Source: own research

4. Conclusions

In our study we examined the key competences that emerge in job ads, as well as, how aware employees are of these required competences, what level of career management skills they have in this area. We had two hypotheses: 1. We hypothesized that competences ranked first to fifth in importance by employers concerning employees' competences in job ads will include competences related to employability regardless of area of specialty. This hypothesis was proven right.

2. We hypothesized that competences chosen as important by employees do not overlap with competences chosen by employers, resulting in low level of career management skills on the employee's part. This hypothesis was not proven. Based on our data employees are more mindful about competences than they are concerning other factors of the labour market (Budavári-Takács, Csehné Papp, Jekkel, 2014).

References

1. Bajor Tamás, Berki Erzsébet, Erdeiné Horváth Klára, Fekete Rita, Kertész János, Komor Levente, Vekerdy Ida, Pörzse Katalin (2001): „Az Európai gyakorlathoz illeszkedő munkaerőpiaci készségigény felmérés a magyar oktatás-képzés fejlesztése szolgálatában”, Tempus Közalapítvány-SZIE GTK, Vezetéstudományi Tanszék, Gödöllő
2. Bartram, Dave, (2005): „The Great Eight Competencies: A Criterion-Centric Approach to Validation”, In: Journal of Applied Psychology, Vol. 90, No. 6, 1185–1203
3. Borman, Walter C., Motowidlo, Stephan. J. (1993): „Expanding the criterion domain to include elements of contextual performance”. In N. Schmitt & W. C. Borman (Eds.), Personnel selection in organizations (pp. 71-98). San Francisco: Jossey-Bass.
4. Budavári-Takács Ildikó, Suhajda Csilla Judit, (2014): „A munkavállalóktól elvárt kompetenciák vizsgálata álláshirdetések elemzése alapján”, In: Csehné Papp Imola, Budavári-

Takács Ildikó, Mészáros Aranka, Poór József, (szerk.) Innováció Növekedés Fenntarthatóság, Budapesti Kereskedelmi és Iparkamara Gazdasági Szolgáltatások Tagozat, XX. Tanácsadó Osztály, Budapest

5. Budavári-Takács Ildikó, Csehné Papp Imola, Jekkel Orsolya, (2014): „Karrier építési tudatosság vizsgálata fiatal felnőttek körében”, In: Csehné Papp Imola, Budavári-Takács Ildikó, Mészáros Aranka, Poór József, (szerk.) Innováció Növekedés Fenntarthatóság, Budapesti Kereskedelmi és Iparkamara Gazdasági Szolgáltatások Tagozat, XX. Tanácsadó Osztály, Budapest
6. Csehné Papp Imola (2007): „*The link between education and the state of the labour market in Hungary*”, *Gazdálkodás*, english special edition, pp. 157-163.
7. Campbell, John P., McCloy, Robert A., Oppler, Scott. H., Sager, C. E. (1993): „*A theory of performance*”. In N. Schmitt & W. C. Borman (Eds.), *Personnel selection in organizations* (pp. 35-70). San Francisco: Jossey-Bass.
8. Hogan, John, Holland, Brent (2003): „*Using theory to evaluate personality and job-performance relations: A socioanalytic perspective*”. *Journal of Applied Psychology*, 88, 100-112.
9. Kurz, Reiner (1999): „*Automated prediction of managerial competencies from personality and ability variables*”. In: *Proceedings of the BPS Test User Conference* (pp. 96–101). Leicester, UK: British Psychological Society
10. J Klér Andrea, Budavári-Takács Ildikó, (2010): „*A study of the problem solving strategies of university students*” *Practice and theory in systems of education* 5:(4) pp. 399-406.
11. Mészáros Aranka, Bíró Gyula, Buda Béla, Csernyik Póth Ágnes, Drimál István, Fodor László, Járó Katalin, Kovács Ildikó Éva, Lipták Erzsébet, Magyar Judit, Németh Erzsébet, Páskuné Kiss Judit, Sallay Hedvig (2007): „*Kommunikáció és konfliktuskezelés kezelése a munkahelyen*” ELTE - Eötvös Kiadó, Budapest
12. Mészáros Róbert (2013): „*Az ideális munkavállaló*”, Szent István Egyetem, Gazdaság- és Társadalomtudományi Kar, Gödöllő
13. Nagy József (2000): „*XXI. század és nevelés*” Osiris Kiadó, Budapest
14. Nagy Lilla, Budavári-Takács Ildikó (2014): *Study of career building awareness among Hungarian and German young it professionals*, In: Csaba Bálint Illés, Anna Dunay, Anna Slocinska (szerk.) *New Trends in Management in the 21st Century*. 413 p. Czestochowa University of Technology, Czestochowa, pp. 73-83.
15. OECD (2005): „*Definition and Selection of Key Competencies: Executive Summary*”, letöltve: <http://www.oecd.org/dataoecd/47/61/35070367.pdf> (time of access: 18. 11. 2014.)
16. Schneider, Klaus (2008): „*On the construction and diagnostics of social competence*” *Social Work & Society International Online Journal* letöltve <http://www.socmag.net/?p=421> (time of access: 26.11.2014.)
17. Scullen, Steven E., Mount, Michael K., Judge, Timothy A. (2003): „*Evidence of the construct validity of developmental ratings of managerial performance*” *Journal of Applied Psychology*, 88, 50-66.
18. Spencer, Lyle M., Spencer, Signe M., (1993): „*Competence at Work: Models for Superior Performance*”, John Wiley and Sons, Inc. New York
19. Varga Erika, Vas István, Szira Zoltán, Bárdos Ilona (2013): „*Kompetencia alapú humán erőforrás-menedzsment területek és a munkapiaci kompetencia-felsőoktatás kapcsolata egy primer vizsgálat tükrében*”. *Humánpolitikai szemle* 7-8: pp. 132-140.
20. Working group on employability report to ministers bologna conference Leuven/Louvain-la-Neuve 28-29 April 2009. URL: http://www.ehea.info/Uploads/LEUVEN/2009_employability_WG_report.pdf (time of downloading: 20 March 2015)

COOPERATION IN THE DIFFERENT WORKPLACES – FORMAL ORGANIZATIONS AND INFORMAL SOCIAL MOVEMENTS

Sebastian SKOLIK, Elżbieta ROBAK

Częstochowa University of Technology, Częstochowa, Poland

E-mail: przykuta@gmail.com

Summary: Interaction of people in the work environment is a complex social process and depends on many different factors. Both, managing modern organizations, as well as the social environment, researchers are trying to answer questions about the basis for the people and the factors determining its effectiveness.

As it is more and more common to take initiatives based not on formal structures, but on an informal network of communities, particularly in the area of Internet, thoughts about the problem becomes a matter of comparison and to determine the differences between working in organizations and often forming ad hoc communities aimed at the production of goods or for mutual provision of services. In a digital environment, its specificity is largely a different way to communicate and make decisions, usually asynchronous, as well as another dimension of the various types of dysfunction.

Coordination and control of human behaviour in cooperating groups is associated not only with the system of authority, formal and informal norms of group, but also with confidence. Cooperation requires trust and may contribute to the development of trust. Affecting the confidence of cooperation is a factor for more flexible operations, effective learning processes, establishing enduring relationships and forming a network of mutual obligations. To determine the conditions of cooperation in two different environments decided to adopt a number of research methods - interview survey in the case of formal organizations and participant observation and content analysis for informal social movement, generating a number of different communities activities.

Keywords: cooperation, confidence, human interactions, workplace

1. Introduction

One of the key aspects concerning functioning of an organization is the subject of cooperation between people in the context of common realization of a goal. Taking into account formal organization, it may be assumed that reaching the goals by the organization is dependent on the efficiency of the task forces (Robak and Sierpińska, 2009, p. 210). Nevertheless, together with the appearance of the phenomenon of global sharing information and knowledge via the Internet, informal communities of action began to develop (Bendkowski, 2009). Within this informal movement, the shaping networks of cooperation do not require to be managed by managers, which is important in case of formal organizations. In order to have the task force in the companies working effectively, the manager should be communicative, open to various problems, treat co-workers as partners and support initiatives presented by the members of the team. (Robak and Sierpińska, 2009, p. 211). In case of the projects created by the members of informal social movements, openness, partnership and cooperation appear almost autonomously and automatically, nevertheless it is possible to cooperate between such type of movements and formalized organizations (Tapscott and Williams, 2008, pp. 141-145). Such kind of cooperation autonomy was defined especially for social movements creating project by the Internet and the meaning of the term „autonomy” seems to be insufficient for describing the sources of cooperation. It is still an open question, to what extent such way of

cooperation could be transferred into the ground of formal organizations. Maybe such interpersonal relationships in these two work environments, different in terms of the technical means of communication, are intransferable, in relation to each other.

2. Identification of the sources of cooperation within the work environment

The prerequisite for each type of cooperation is the possibility of effective communication between the people participating in the certain project. With reference to the environment of the Internet it is highly debatable, that media, including mainly Internet, in case of the information society, contribute to manipulation of the recipients, which decreases their reliability (Golka, 2008, pp. 129-132). Because of the fact, that information society at the same time becomes consumer society, the flow of information that everybody can use, unifies „the participants around the same values and tasks” (Golka, 2008, p. 133). Communicating therefore is not synonymous with communication. As shown on the basis of the experimental research, people not knowing each other in person, but communicating via the Internet have poorer ability to assess emotions of the partner in this interaction. (Wallace, 2003, pp. 26-27). The research was focused on the initial interactions, and it may be assumed that personal acquaintance does not require direct face-to-face contact. The phenomenon of presumption has to be taken into account, which becomes an alternative towards generated by the industrial society division into producers and consumers. Presumption occurs while the difference between producer and consumer disappears, because the last ones share the produced goods with the others (Gulik, 2013). It may be concluded that where the goods are produced together, cooperation may be forced, regardless the environment. Hofmokl (2009) presents a list of conditions, providing coordination of activities towards common-pool resources:

- designated boundaries for the individuals using the resources;
- adaptation of the rules of using the resources to local conditions and needs;
- possibility of modifying (reinterpretation) of the rules by most of the members belonging to a given community;
- respecting by the superior (authorities) the rules created by the members of society;
- the possibility to monitor the action within the system created by the society members;
- access to inexpensive methods of solving conflicts (Hofmokl, 2009, pp. 40-41).

Existence of the common resources, which become both goals and values of given societies, taking into account the use of given methods, may be defined as the next source of cooperation. It is worth mentioning that the rules and the ways of its sanctioning should be, by the members of society, divided fostering building of trust among each others. Some of the authors claim that informal rules, are often more favourable for cooperation, than formally established norms. (Kulesza, 2010, pp. 52-58). It seems that in such cases cooperation is possible only if it works together with sharing the mutual assets. In case of enterprises, usually (not taking into account enterprises in a form of cooperatives) the members of the teams are employers, therefore participating in the produced goods by obtaining them in the same way as other consumers do.

Consumer is only a passive participant on the market of the cultural goods (both tangible and intangible). This kind of culture Lessig describes as Read-Only Culture, with opposing Read/Write Culture, in which the individuals actively participate in a process of creating the text. (Lessig, 2009). Not only the access to common assets, but also participation in the process of its creation, may strengthen cooperation. Commonly produced goods are values, towards which the individuals may have the sense of common goal and sense of cooperation. Towards such already produced values, they constitute various types of social movements, e.g. functioning in order to promote access to public assets, or creating Project such as Wikipedia, which millions of users participate. At the same time, they become historically the

greatest projects, in which people can cooperate in the global scale (Jemielniak, 2013, p. 16). In case of the enterprises, which most often work in the local scale, the equivalent of cooperation within global movement may be informal structure, in which significant elements are: „customary behaviour code, informal leader, system of values setting informal goal of a given group, informal sanctions influencing behaviour of the members of given group according to the intentions of this group (Robak and Bylok, 2009, p. 60). It is an open question, to what extent the way of functioning of an informal leader, who in case of small venture is the owner, is similar to spontaneously (bottom-up) appointed leaders within the global networks of cooperation. What is connected to that, whether the system of sanctions and the ways of solving problems, which is being created spontaneously, may be adopted to organization with the already existing, formalized structure? The structure of formalized movement is closer to the market on which goods are being exchanged, and the participants of this exchange do not create plans for realization of an enterprise (Raymond, 1999).

The last source of cooperation may be a mixture of various factors, which lead to emergent qualities. Such situation is described by Tapscott and Williams (2008), defined as *wikinomics*. According to them, in the modern business the following values should be rejected: focus on the client, protecting of intellectual properties against being accessed by other subjects, focus on controls conducted by the managing staff, and local action with global thinking. At the same time there should be assumed the four rules of *wikinomics*: openness understood as sparing data concerning the company; partnership meaning resignation from hierarchical management style; sparing assets- in this case it means e. g. resignation from the full protection of intellectual assets and acting to global scale (Tapscott and Williams, 2008, pp. 40-55). In order to make the global cooperation possible, all of the above-mentioned rules have to be fulfilled. It may be assumed, that the main, initiating source of cooperation is here mainly the global scale and mass scale of engaging into various types of the enterprise.

3. Methodological perspective of the research

In order to compare the problem of cooperation within two various work environments- in the area of informal social movement and in the area of formal organization – it would be difficult to define methodology, that would be in both of this cases equally successful. The conclusion is that formal organizations are rather closed forms, also with reference to the researchers, who could conduct a participant observation. On the other hand, social movement seems to be such an object, that may be examined more effectively by means of the technique, because of the openness towards „the strangers”. It may be also assumed that conducting the research with the use of separate methods should allow to collect data possible for comparative analysis.

Because of the fact that one of the most active social movements cooperation- oriented while creating goods are volunteers focused around the projects of Wikimedia Foundation, environment worth examining may be one of the local project of this foundation. In some specific language versions Wikipedia, belonging to the group of such projects, there work several to several thousands of volunteers. Because almost all action and interactions between the users of these projects are taken explicitly, the data collected as a part of a long-term participant observation, as well as analysis of the websites created by the users. The shares on their own websites (homepages) often present information concerning themselves and their attitude to the enterprise, in which they take part in. Additionally, on the dedicated websites – talkpages – the interactions while solving common problems may be observed. It seems to be more organizationally difficult to have the questionnaire study conducted. Frequent using the technique of questionnaire study causes an effect of saturation and the users take part in the next surveys less enthusiastically. (Kozinets, 2012, pp. 114-115). In order to illustrate specific

situations connected with cooperation, there may be conducted the analysis of particular case studies.

On the opposite, in case of formal organizations, conducting the research is more difficult, especially with the use of the method of participant observation. Because of that, it is more effective to use the method of questionnaire study. (Gruszczyński, 2001, p. 7). Apart from the presence of an observer among the employees, it cannot be hidden, what is possible in the Internet Project. In this case, it is also a problem to define the research sample. People taking part in the wikimedia movement do not originate from any specific environments, and joining the Project for them is often accidental. Nevertheless, because of the fact that among the active users of Wikimedia are mainly students, it may be assumed to have the questionnaire study conducted among working students.

In order to have the possibility to mark the differences and possibilities of transferring the ways of creating cooperation, in the research the following questions should be answered:

- Is there any difference in the type of cooperation with reference to their sources?
- Is the atmosphere of trust a necessary condition of cooperation, or maybe it is an effect of cooperation, if many network initiatives is based on trust, how about people, who did not have any contact so far?
- Which conditions have to be met in order to make cooperation leading to emotional, subjective perceiving everything as a source of pleasure and fun, which seems to be characteristic for the Internet action communities?
- Do the values, with which the organization personnel are identified, help to create the atmosphere of cooperation?
- What determined trust to the rules within various work environments?

4. Challenges and limitations of the presented research perspective

In the light of the existing research (Jemielniak, 2013; Skolik, 2012; Skolik, 2014) many hypotheses may be assumed for the questions included above, referring them to the environment of volunteers actively involved in the projects of Wikimedia Foundation:

- the users are prosuments, creating the common goods, and the problems with cooperation are caused by lack of knowledge of the rules and problems with communication;
- cooperation is possible without full trust only until a conflict appears;
- cooperation may be treated as fun, if the adopted rules are not violated;
- identification with the values is necessary for creating the atmosphere of cooperation.

With reference to the traditional organizations, it is hard to hypothesize. Therefore, for there were no such questions concerning the subject of cooperation within formal organizations? Such point of view may seem to be unilateral. Cause there exists a temptation to look for a new solutions and create new research orientations with reference to enterprises, that have succeeded through the last years. Nevertheless, the research results presented through many years, concerning cooperation within the work teams became inadequate to the reality of modern information society. Here the answer for the researchers may be the conclusion concerning cooperation within the environment of programmers, formulated in a poetical way by Raymond (1999) „If you have the right attitude, interesting problems will find you”.

References

1. Bendkowski J., (2009): Społeczne aspekty tworzenia systemów zarządzania wiedzą opartych na wirtualnych wspólnotach działań, in: Komputerowo zintegrowane zarządzanie, ed. R. Knosala, Oficyna Wydawnicza Polskiego Towarzystwa Zarządzania Produkcją, Opole, pp. 88-95.
2. Gulik E., (2013): Konsument, prosument, produser transformacja podmiotu wymiany rynkowej w społeczeństwie sieci, „Kultura i Historia”, nr 24. URL: <http://www.kulturaihistoria.umcs.lublin.pl/archives/5040> (accessed 29 April 2015).
3. Golka M., (2008): Bariery w komunikowaniu i społeczeństwo (dez)informacyjne. Wydawnictwo Naukowe PWN, Warszawa.
4. Gruszczyński L., (2001): Kwestionariusze w socjologii. Budowa narzędzi surveyowych, Wydawnictwo Uniwersytetu Śląskiego, Katowice.
5. Hofmokr J., (2009). Internet jako nowe dobro wspólne, Wydawnictwa Akademickie i Profesjonalne, Warszawa.
6. Kozinets R.V., (2012): Netnografia. Badania etnograficzne online, PWN, Warszawa.
7. Kulesza J., (2010): Ius internet. Między prawem a etyką, Wydawnictwa Akademickie i Profesjonalne, Warszawa.
8. Jemielniak D., (2013): Życie wirtualnych dzikich, Poltext, Warszawa.
9. Lessig L., (2009): Remiks, Wydawnictwa Akademickie i Profesjonalne, Warszawa.
10. Raymond, E. (1999):. The cathedral and the bazaar, „Knowledge, Technology & Policy”, 12(3), p. 23-49.
11. Robak E., Sierpińska M. (2009): Trening kompetencji społecznych jako forma doskonalenia umiejętności menedżera w zakresie kształtowania efektywnych zespołów, in: Psychologiczne i socjologiczne aspekty zarządzania zasobami ludzkimi, eds F. Bylok & M. Harciarek, Wydawnictwo Politechniki Częstochowskiej, Częstochowa.
12. Robak E., Bylok F. (2009): Grupy w organizacji i ich wpływ na zachowania ludzi, in: Zachowania ludzi w organizacji. Wybrane zagadnienia. eds F. Bylok & E Robak, Wydawnictwo Politechniki Częstochowskiej, Częstochowa.
13. Skolik S., (2012): Rola użytkowników końcowych w prosumenckim modelu tworzenia oprogramowania MediaWiki, in Wykorzystanie wybranych technologii komunikacyjnych w zarządzaniu wartością organizacji, ed. L. Kiełtyka, Wydawnictwo Politechniki Częstochowskiej, Częstochowa.
14. Skolik S., (2014): Przemiany w systemach wartości w środowisku nieprofesjonalnych pracowników wiedzy. Studium przypadku polskojęzycznej Wikipedii; in: Nowe kierunki w zarządzaniu współczesnymi organizacjami, eds Ł. Skiba, A. Czarnecka, Wydawnictwo Wydziału Zarządzania Politechniki Częstochowskiej, Częstochowa.
15. Tapscott D., Williams A.D., Wikinomia. O globalnej współpracy, która zmienia wszystko, Wydawnictwa Akademickie i Profesjonalne, Warszawa, 2008.
16. Wallace P., (2003): Psychologia Internetu. Rebis. Poznań.

MOTIVATION THEORIES: VALIDITY IN A NEW CONTEXT. TRANSFER AND APPLICATION IN GREECE

George XANTHAKIS, Marianthi STOGIANNIDOU

Department of Business Administration, Aegean University, Chios, Greece

E-mail: xanthakisg@ba.aegean.gr

Summary: When times change and society is in crisis the Human Resources Management has a crash test. During the period of 2008-2015 the work environment changed in a great number of organizations, due to the devastating outcomes of the financial crisis in Greece. This sudden change of organization, in political and economical contexts generated new topics in the field of organizational research.

The present work is a theoretical research that aims at investigating potential barriers to apply motivation theories in Greece of economic crisis. Without claiming to be a full- detailed presentation of the most-known motivation theories, the aim of this work is to highlight the fact that the motivation theories have to be considered absolutely valid only in the environment where these were constructed. The transfer and the application of these theories to a different working framework, requires the testing of how they can be applied in the new context.

Keywords: Motivation, Economic crisis, Greece, HR management

1. Introduction

The motivation is a force which acts in each man making him acting in one way or another. Different assumptions have as result various motivation theories, although classic motivation theories in the management context are American (Maslow, McClelland, Herzberg etc.).

These theories (Table 1) reflect the culture in which they were developed. The American motivation theories reflect the cultural environment of the United States of its day. Most of the theorists were middle-class intellectuals, so their theories reflect the national intellectual middle-class culture background of 19th and 20th century. This period covers a period of rapid economic growth (1865-1928) , the Wall street crash(1929), the Great Depression period(1930-1940), the First World War (1940-1945).The second half of the twenty century was a time of high economic growth(1945-1964), sexual freedom and drugs, while the concept of 1980's based on huge consumption of money and goods. In general, it was a period of economic growth and recovery.

Culture reflects how a person realizes and reads a situation, and he is influenced on his behavior and motivation (Erez, 2008). The culture is a key factor in the process of motivation. Cultural environment influences behaviors, and define the reasons for which a person behave in one way or the other (Hofstede et al., 2010).

2. Motivation Theories

The first thoughts about how to motivate employees to develop their productivity started in the late 19th Century. Early 20th Century companies adopt the concept of Frederick Taylor's about the "piece rate" system. Industrial engineers used "scientific" studies to define the most efficient process for job. The managers of the Western Electric Company (1924) introduced

the Hawthorne Studies. Elton Mayo, the founder of Human Relations School, observed that the productivity grew no matter what changes were made to the working environment. The Maslow Hierarchy of Needs (written during the Great Depression) was based on his studies on the difficulties in the lives of the individuals. Maslow created his theory based on the five set of goals that people try to achieve in order to satisfy their needs. Above needs define (Latham, 2006) the behaviour and the sort of attitude that a man adopts in order to reach at the stage they are currently in. McGregor (1960) categorized the types of people into two groups that had two different approaches. McClelland (1961) concentrated on the motivation process of a range of distinct and clearly defined needs, such as: achievement, affiliation, power and autonomy. Herzberg (1966) focused on understanding how work activities and the nature of the job define motivation and performance. Hackman and Oldham (1976) worked out on Herzberg’s theory regarding main characteristics of jobs, taking into account differences among individual’s needs. Vroom’s (1964) expectancy theory focused on that people choose to have an attitude based on their subjective probability. Adams (1963) mainly focused on the feelings of equity/inequity and the cognitive appraisal of one’s outcomes (salary, bonus) compared to one’s input (skills, education,) relative to others (co-workers).

Table 1: Timescale: Motivation theories/USA economy growth

<i>THEORIES</i>	<i>DECADE</i>	<i>U.S.A ECONOMY</i>
Taylor (1911)	1910	Rapid economic growth
Mayo(1924)	1920	Wealthiest country in the word
	1930	1929 Wall street crash
		1933 Nadir
		1933-38 Recovery
Maslow (1943)	1940	1940-45 FWW
	1950	1945-65 High economic growth
McGregor(1960)	1960	
McClelland(1961)		
Adams (1963)		
Vroom(1964)		
Herzberg (1966)		
Locke(1968)		Economy prosperous
Lawler (1970) Hackman/Oldham(1976)	1970	Economy faltered 1973 oil crisis
Bandura(1986)	1980	1983 recovery 1983-1990 great consumption

Source: own compilation

3. USA in 20th century

The history of United States consists of a period of high economic growth. The United States becomes the world's prevalent economic force. A huge wave of European immigration (U.S. Bureau, 1976) supplied the manpower for the development of industry while at the same time provided the population base for fast-growing urban America. By the late nineteenth century, the United States had developed in the main global industrial power, leading on new technologies, expanding its railroad network, and having a great number of natural recourses

(coal, timber, oil).

In 1920's, America was the wealthiest country. Almost everybody seemed to have a well paid job and cash to spend. In October 1929, the Wall Street Crash took place. The Wall Street Crash of 1929 and the Great Depression forced the government to rebuild the economy. The worst time of the Great Depression was 1933, while the recovery was fast until the recession of 1938. The period from 1945 to 1964 was a rapid economic growth time and development. It was also a period of confrontation as United States and its allies politically opposed the Soviet Union and other communist countries (start of the Cold War) On the domestic, after a short devolution, the economy developed fast, with great prosperity, high salaries, while the remaining farmers moved to the cities.(Alan, 2006).

America's economy was prosperous until the early 1970s, but at the next years started losing its strength under the foreign competition and the high oil prices. In 1973, USA faced an oil crisis when OPEC stopped shipping oil to nations supporting Israel. America recovered in 1983; unemployment fell and GDP got growth. Inflation was reduced, Housing started boomed and the automobile industry recovered its vitality (Chafe, 1990). The concept of 80s was associated with extravagance and transformation.

4. Dimensions of culture and national culture

Culture is defined as the collective mental programming of the people in an environment. It encloses a number of people who have the same education and life experiences. Culture is often difficult to change; if it changes at all, it does so slowly. Hofstede (2010) tried to determine empirically the main criteria by which their national cultures differed. The first dimension of national culture is called *Power Distance*. It indicates the extent to which a social environment adopts the fact that power in institutions and organizations is distributed unequally. The second dimension, *Uncertainty Avoidance*, indicates the extent to which a society seems to be threatened by fuzzy factors and tries to avoid these by providing greater career stability, establishing more formal rules, not tolerating deviant ideas and behaviors.

Table 2: Dimensions of culture

	<i>USA</i>	<i>Greece</i>
Uncertainty Avoidance	Weak	Strong
Power Distance	Small	Large
Individualism/ Collectivism	Individualism	Collectivism
Masculinity/ Femininity	Masculinity	Masculinity

Source: Hofstede, 2010

Figures 1, 2, 3: Dimensions of the culture

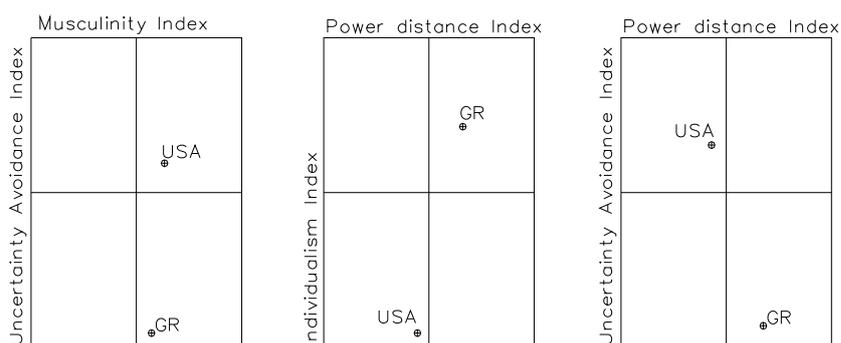


Figure 1

Figure 2

Figure 3

Source: Hofstede, 2010

The third dimension is *Individualism* and its opposite, *Collectivism*. Individualism entails a loose social environment in which people take care of themselves and of their immediate families only. At the other hand collectivism is characterized by a tight social environment in which people make out in-groups and out-groups. The fourth dimension is called *Masculinity* measuring the extent to which the prevalent values (assertiveness, the acquisition of money and things) in society are "masculine". According to Hofstede's research (Table 2) USA and Greece have totally different National Culture Dimensions Figures 1, 2 and 3 present the results in diagram.

5. The current Social face of Greece

Greece remains a relatively traditional society regarding the formation of the family and family structure. Couples getting married and having children within marriage. The model of the family where they work both parents is common, combining work and family responsibilities.

The traditional Greek family support their members replacing the welfare state. The majority of Greeks are homeowners. The usual form of employment is the permanent job. Greek employees are seeking safety in the workplace, while at the same time have the trend in the expansion of their business (work as freelancers). Most employees are appeared having now or in the past increased bank debt (loans, debts on credit cards, etc.) that makes them having a heavily indebted profile (financial obligations greater than income).

A great number of job positions are lost but at the same time the decrease of income for those who continue working are also important. The salaries have reduced by 25-30% (on the average) while the increase of tax burden made above losses sound dramatic.

6. Conclusion

The American motivation theories reflect the cultural environment of the United States of the late 19th and 20th century. They were developed based on American national culture and the fast growing economy. They placed in the highest level the Achievement (term that difficult translated in any other language) as the goal of the typical American worker. In a framework, that employees had met their physiological and safety needs these theories encourage them to cover their higher needs (social needs, esteem, self-actualisation) through their work.

The transfer and the application of these theories from the wealth environment of 19th and 20th century to today's working environment in Greece needs a validity test and an adaptation to current context. In these days, the main goal is the survival and not the achievement. The needs of employees' have changed dramatically, the safety in the workplace is lost, and these

motivation theories seem not to work efficient through the whole scale of the economic environment. Be motivation theories implied in the current Greek culture and working environment? This paper explores the theories and the current situation and based on this an empirical research is following.

References

1. Adams, J. S. (1963): Toward an understanding of inequity. *Journal of Abnormal and Social Psychology*, 67.
2. Chafe W. H. (1990): *The Unfinished Journey: America since World War II*. Oxford University Press (8th edition)
3. Erez M. (2008): Social-Cultural Influences on Work Motivation. In: G. C. Ruth Kanfer, *Work motivation: past, present, and future*, pp. 501-538, New York: SIOP Organizational Frontiers Series.
4. Hackman J. R., Oldman G. R. (1976): Motivation through the design of work: Test of a theory. *Organizational Behavior and Human Performance*, 16, 250-279.
5. Herzberg, F. (1966): *Work and the nature of man*. Cleveland: World Publishing.
6. Hofstede G., Hofstede G. J., Minkov, M. (2010): *Cultures and Organizations: Software for the Mind*, Third Edition. McGraw-Hill.
7. Latham, G. P., Ernst C.T. (2006): Keys to motivating tomorrow's workforce. *Human Resource Management Review* 16 p.181-198.
8. Maslow, A. H. (1943): A theory of human motivation. *Psychological Review*, 50, 370-396.
9. McClelland D. C. (1961): *The achieving society*. Princeton, NJ: Van Nostrand, 1961.
10. McGregor D. M. (1960): *The human side of the enterprise*. New York McGraw-Hill.
11. Taylor F. W. (1911): *Principles of scientific management*. New York Harper.
12. U.S. Bureau of the Census (1976): *Historical Statistics of the United States*
13. Vroom V. H. (1964): *Work motivation*. New York Wiley & Sons.

INTELLECTUAL CAPITAL OF ENTERPRISES IN THE CONTEXT OF THE INTENSIFICATION OF INNOVATIVE PROCESSES

Rafał PRUSAK

Czestochowa University of Technology, Faculty of Production Engineering and Materials Technology, Department of Production Management and Logistics, Poland

E-mail: prusak@wip.pcz.pl

Summary: Intellectual capital is one of the most important contemporary elements allowing companies to search and build a market advantage. Its range covers almost all tangible and intangible resources of the company. Analysis of the structure allows for a more complete understanding of the relations between the various resources of the company. This makes it possible intensification of the processes leading to the occurrence of synergic effect. An important area which activities in the management of intellectual capital may affect are innovative processes. This requires proper approach to all components of intellectual capital: the relational capital, structural capital, and - above all - human capital. The aim of the research undertaken by the author was trying to analyse some elements related to intellectual capital, which may affect the process of innovation. The study presented in this article was conducted on a sample of 100 companies, of which 50 have implemented some aspects of the intellectual capital management system.

Keywords: intellectual capital, innovations, human resource management

1. Introduction

The introduction of the concept of intellectual capital allowed – both theorists and practitioners – a fuller focus of their work, research and analysis related to effectiveness of enterprise operation. Projects related with different threads, seemingly unconnected, could be logically integrate. Information incoming from the projects could be aggregated and allow identification – previously undiscovered or not analysed, in this context dependencies and relationships. At the same time the concept of intellectual capital has led to a reorientation of methods and techniques of business management as a result of the full emphasize the role of intangibles and pointing them as key factors of success.

Intellectual capital – despite intensive research – remains largely unrecognized. The reasons for this should be sought in its construction: multi-layered, complex and filled with a number of unclear connections and relationships. This is well illustrated by Fitz-Enz (2001), who interpret intellectual capital as a complex combination of processes and culture connected with a network of various relationships and human capital. Such an approach to the problem implies taking into account another important problem hindering the analysis and understanding of intellectual capital, namely the human factor. People are – from the point of view of the development of intellectual capital – the most important resource for organizations: seeking, processing, creating and using knowledge to achieve the strategic objectives and building a market advantage. At the same time, however, as a result of their diversity and unpredictability (positively and negatively) people are very difficult resource to manage. The effective development of intellectual capital requires consideration of such factors as intuition, interpersonal communication, feelings or desires of the people (Skrzypek, 1999).

One of the most important reasons for interest in intellectual capital is building a permanent market advantage. In this context, the intellectual capital can lead to: development of new products, building image of the company, more efficient use of resources, development of plans and strategies which are based on the strengths of the company and market opportunities, strengthening internal and external relations, intensive research and development, etc. (Szara and Pierścieniak, 2007). Managing intellectual capital forces intelligent actions in the enterprise through the implementation of innovations, making creative decisions, conjugated utilization of high-quality knowledge at all levels the organization (Pobrotyn, 2012).

Innovations are one of the most important elements affecting the size and durability of the enterprise market advantage. It should be noted that market advantage could be interpreted and understood in many ways. In simple terms, innovation is everything that is in the minds of customers creates an image of the company or its products and helps differentiate the company from competitors. By using different perspective, market advantage is the ability to generate unique competencies and using them to accomplish tasks and processes that are beyond the reach of competitors. Six key processes creating market advantages exists in this broader perspective: strategic investments, building the social image of organization, creating vision of organization, deployment of resources by the actors on the market, defining the success of the organization, shaping the theory of action (Rindova and Fomburn, 1999). It should be noted at this point that none of the market advantages is permanent – competitors' activities, market trends, technological developments and the selling methods contribute to the devaluation of the advantages.

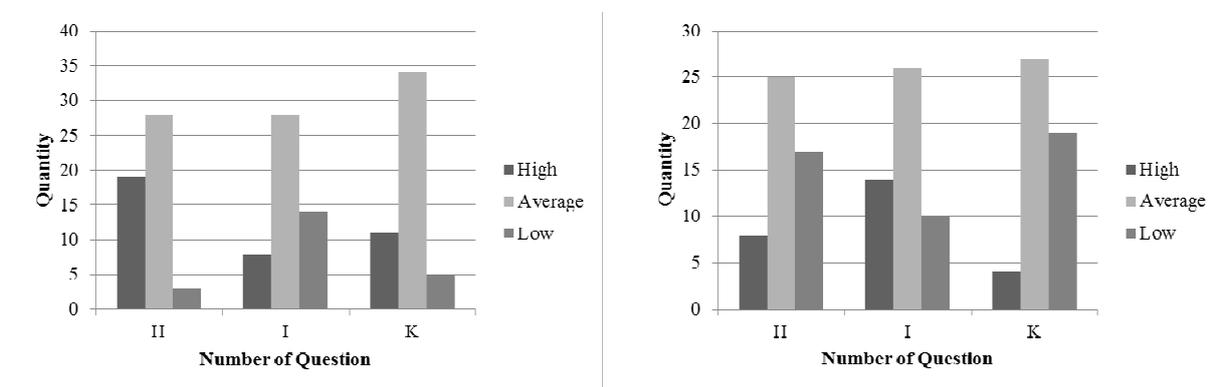
Innovation can be seen as a process of transforming the existing possibilities in the new ideas and putting them into practical use. Begg (1997) describes it as the application of new knowledge in the production process. Schumpeter (1960) It identifies the areas of innovation articulation: the implementation of innovative products, preparation of original production methods, creating of new market, the acquisition of innovative resources or expand existing ones, implementation of new methods of organizing the industry. It is important to emphasize that innovation is a process that occurs in most spheres of human activity. As stated by Drucker (1992) innovation is not an action relating exclusively to the area of science or technology, but also to the evolution of economic and social relationships relates to behaviour of humans occurring in various roles, namely producers, consumers, scientists, ordinary citizens, etc.

2. Analysis of the results

The primary objective of the study was an attempt to analyse the basic relationships between the implementation of the company's intellectual capital management mechanisms and innovative processes. The study was conducted using a survey based on a questionnaire with ten questions. Questions covered the following issues: (A) activities in conducted works, (B) the sources of knowledge, (C) the key factors of success (D) reasons for innovative ideas, (E) impulses to start the innovation process (F) economic effects, (G) the time of implementation, (H) the involvement of employees, (i) the number of problems encountered (J) time spent on solving problems, (C) the amount of grass-roots initiatives. Moreover, additional analyses were performed to determine the level of correlation between the analysed aspects and selected strategic factors. These criteria were: company size (small - less than 50 people, average - from 50 people to 250 people, large - more than 250 people), - the type of business (manufacturing companies or service), the attractiveness of the sector (defined for each sector using universal criteria). The research sample was 100 companies of which 50 had implemented mechanisms of intellectual capital management.

The study allowed the identification of several important trends and phenomena. Above all, it revealed a relationship between the fact of implementation of intellectual capital management mechanisms and: the level of employee involvement in innovation processes, the number of problems encountered during the development and implementation of innovation, number of grassroots initiatives resulting in new solutions (distribution of answers is presented in Figure 1). In each of these cases, the correlation was average (respectively 0.36, 0.36, 0.33). In this paper to determine the degree of correlation between the variables, the scheme proposed by M. Sobczyk (1998) was used. According to this scheme a correlation between the two characteristics is undetermined if $r_{xy} \leq 0,3$, average if $0,3 \leq r_{xy} \leq 0,5$ and strong if $r_{xy} > 0,5$.

Figure 1: The distribution of answers to questions about (H) involvement of employees, (i) the number of problems encountered and (C) the amount of grassroots initiatives in the context of the implementation of the company's intellectual capital management mechanisms



Source: own studies

Analysis of relationships between the analysed aspects and selected strategic factors allowed to identify additional dependencies (Table 1). Most of the observed relationships were related to the size of the company and its development stage (age). The type of business, as well as the attractiveness of the sector does not lead to clear results

Table 1: Most important relationships identified in the research

No.*	Company size	Age of the company	Business type	The attractiveness of the market
A	pronounced(0.53)	undetermined	undetermined	undetermined
B	pronounced (0.54)	undetermined	average (0.49)	average (0.48)
C	undetermined	undetermined	undetermined	undetermined
D	undetermined	undetermined	undetermined	undetermined
E	undetermined	undetermined	undetermined	undetermined
F	average (0.48)	average (0.37)	undetermined	undetermined
G	undetermined	undetermined	undetermined	undetermined
H	average (0.36)	undetermined	undetermined	undetermined
I	average (0.44)	average (0.36)	undetermined	undetermined
J	average (0.40)	average (0.36)	undetermined	undetermined
K	undetermined	average (0.34)	undetermined	undetermined

* Question numbers in accordance with previously described questionnaire

Source: own studies

Analysis of activities in conducted works has shown that large enterprises more often pointed such aspect as the development of research programs, analysis of the impact of innovation on the employment structure, defining enterprise's opportunities related to human capital.

Companies in this group least often pointed: analysis of market trends and solutions used by competitors.

Many relationships have been identified in the context of the sources of knowledge. From the point of view of company size only customers and competitors were indicated as the most important source in all groups of enterprises. In the context of other responses (universities, research institutions, research – development units, suppliers) significant divergence in distribution of results was observed. Among production companies research - development units were indicated more frequently.

Interesting data distribution was observed in the analysis of the economic effects of implemented innovation. The effects in small and medium-sized enterprises often were consistent with the plan or exceed the earlier assumptions. In large enterprises declared the results were often lower than planned. Analysis of the results in the context of the stage of development of the company (its age) showed that young companies have more problems to get planned economic effects. This may indicate that the proper development and implementation of innovations require prior experience in the implementation of these - or similar - processes.

The size of the company also had an impact on such factors as the involvement of employees, the number of encountered problems, and the time spent to solve problems. In all these aspects of higher results were declared by small and medium-sized enterprises.

Also interesting was the distribution of responses related to number of grassroots initiatives in the context of the development stage of enterprises. Developing companies declared a larger number of these types of elements. In the group of mature companies - those figures were significantly lower.

3. Conclusions

Identified relationships allow for conclusions about the basic relationships between intellectual capital management and intensity and efficiency of innovation processes. The introduction of mechanisms of intellectual capital management directs the company to take better advantage of intangible, which are an important element of building a competitive advantage in today's market. By placing greater emphasis on knowledge, its acquisition, development and distribution it is possible to make better use of the potential accumulated in the human resources. People with their professional and personal experience are the only internal source of innovation.

Analysis revealed the existence of certain relations in the examined areas. Certainly, they require confirmation in a larger research sample. Very interesting are relationships between the fact of implementing intellectual capital management mechanisms and important aspects of the innovation process, such as: level of employee involvement in the undertaken initiatives, number of grassroots ideas and concepts that may become the seeds of new solutions, number of problems encountered in process of development and implementation of innovations.

Additional strategic criteria used in the research also allow to identify interesting phenomena and trends. Above all, the relatively small impact of the business type and the level of market attractiveness could be seen. It would seem that – especially – the first factor should have bigger impact on the diversity of the results. Undeniably, the greatest impact on the distribution of data have a size of enterprise and stage of development of enterprises.

Intellectual capital – and its relationship with the different areas of business management – still requires intensive research. The potential in this area is very large and can lead to getting the distinct strategic advantages.

References

1. Begg D., Fisher S., Dornbush R. (1997): Makroekonomia, PWE, Warszawa, p. 341.
2. Drucker P. (1992): Innowacje i przedsiębiorczość. Praktyka i zasady, PWE, Warszawa, p.42.
3. Fitz-Enz J.: Rentowność inwestycji w kapitał ludzki, Oficyna Ekonomiczna, Kraków 2001, s. 23-24.
4. Pobrotyn A. (2012): Znaczenie kapitału intelektualnego w zarządzaniu przedsiębiorstwem, „*Acta Scientifica Academiae Ostroviensis*”, 1/2012, p. 121
5. Rindova V.P., Fomburn CH.J. (1999): Constructive Competitive Advantage: The Role of Firm – Constituent Interaction, „*Strategic Management Journal*”, 8/99, p. 691
6. Schumpeter J. (1960): Teoria wzrostu gospodarczego, Wydawnictwo Naukowe PWN, Warszawa, p. 104.
7. Skrzypek E. (1999): Wpływ zarządzania wiedzą na jakość, „*Problemy Jakości*”, no 11, 1999, p.5.
8. Sobczyk M. (1998) Statystyka, Wydawnictwo Naukowe PWN, Warszawa, p. 209.
9. Szara K., Pierścieniak A. (2007), Kapitał intelektualny jako obszar konkurencji przedsiębiorstw (wybrane aspekty teoretyczne), in: M.G. Woźniak (ed.) 2007, Nierówności społeczne a wzrost gospodarczy. Gospodarka oparta na wiedzy, Uniwersytet Rzeszowski, Rzeszów, p 255.

E-LEARNING AS A METHOD OF EMPLOYEES' DEVELOPMENT

Aleksandra CZARNECKA

Czestochowa University of Technology, Poland

E-mail: aczar11@tlen.pl

Summary: Nowadays, all organizations leading their business, are forced to compete with other entities. Significant for the enterprise is to achieve an advantage over other companies. To a large extent this is dependent on workers currently employed by the company. Therefore, concerns are devoting more and more attention to their employees. This is reflected not only in ensuring good atmosphere at work and fair wages. Moreover, it is also creating opportunities for self-realization and self-development. Employees who have the opportunity to improve their qualifications and skills are more productive and loyal. Furthermore, they do not think about changing job because their company cares about the appropriate development. Each employee is solely responsible for his professional development. The organization is not obligated to develop the staff competence. However, it shall give them the right tools and support at work, so that they can pursue to improve their competence. The author in this article wants to introduce e-learning, as a modern method of improving the profession. It is a method which offers many advantages and facilities that can be used in individual improvement and training of large groups of employees. E-learning helps in the process of teaching through computers and the Internet. It is the perfect complement to the traditional teaching process. Technological changes and growing availability of the Internet Services bring new possibilities. The combination of a text, an audio, a static image and a video makes possible sharing of all kinds of information and knowledge in an interesting and effective way. The author emphasizes how important it is for business people freedom of choice and flexibility, so that everyone can learn at their own pace, in the selected location and time.

Keywords: e-learning, advantages and disadvantages of e-learning, employees development, professional improvement

1. Introduction

Unstable economic situation in Poland as well as in the world, causes that managerial staff of modern enterprises searches for the sources of savings, also in the area of HR management. Such activities should not be based on reduction of labour costs, rather on maximization of efficiency and quality of human resources. Rational investments in employees and their development is an action helping the organization to maintain its competitive advantage. The nature of the article is theoretical and its main purpose is to discuss e-learning as a method of development and a way of professional perfecting for the employees.

2. The essence and meaning of the employees' development

Modern enterprises operate in the environment that evolves dynamically, because of the rapid technical and technological progress, or increasing demands of consumers. Therefore, they have to constantly care of the development of their employees. With their knowledge and new competence, they would be sources of innovations, innovative ideas or solutions that further could result in a form of competitive advantage. Development is also a chance to the

employees themselves, who achieving new skills, increase their worth and strength on the labour market. (Gadomska-Lila, Rudawska and Platonoff, 2009)

Development of the employee's competence basically may be divided into the two stages including:

- education before the starting professional work (schools, universities, practice, trainings, probations);
- education simultaneous with professional work (trainings and improving of qualifications, as well as professional career. (ed. Szałkowski, 2002)

Because of the special care, that in a recruitment process there are accepted only the highly skilled, qualified and well-educated candidates, it should be considered that their professional potential should be constantly developed. At the same time, the key aspect of this type of development has to be highlighted. Managerial staff should focus on taking care of the possibilities of updating and developing the employees' competence. Creating the proper conditions for development with a passive dimension, should be connected with active operations based on initiating and orientation in a way that it corresponds to the present and future needs of an enterprise.

In its broad understanding, development of human resources may be understood as „purposeful configurations of the action of enriching knowledge, development of skills, shaping the values, attitudes, motivations and skills, as well as taking care of physical and mental condition of the employees, or the actions causing an increase in work efficiency and increase in the market value of human resources” (Pocztowski, 2007, p. 274)

On the basis of the above mentioned definition it may be clearly stated that development of an employee is a process, both completing knowledge, as well as learning new skills and competence, necessary for having the tasks effectively performed on the presently occupied position, or the future one.

It may be clearly concluded that the aim of the development of the personnel is to create such a situation, in which knowledge, skills and qualifications of the employees, would enable the organization achieving its goals:

- firstly, increasing efficiency of the organization functioning,
- secondly, meeting the needs of employees in the aspect of creating his professional career taking into account individual aspirations and aims. (Gadomska-Lila, Rudawska and Platonoff, 2009, p. 211)

Process of development of human resources should be encouraged by proper conditions within organizations, such as: HR strategy correlated with general organizational strategy, organizational culture, system of remuneration, or motivations.

3. E-learning – distance learning

The pace of technological changes occurring nowadays is incredible. Internet became the most popular source of information and the channel of communication. These changes caused that the new possibilities opens while sharing information and knowledge.

Although the process of implementing e-learning in Poland has been lasting for over several years, it is still a marginal element of the system of education. Regardless the fact that this form of education is being more often used, it is still something new and little known, causing mistrust and suspicion, as unpopular and unavailable. (Wilkin, 2009, p.25) As the specialists in this subject claim, this form of education could be a significant tool, accelerating the process of implementing the necessary changes in the Polish system of education. (Mischke, 2008)

Particularly in higher education increased tendency to create virtual learning environment (VLE), which in conjunction with the managed information system (MIS), create a managed

learning environment (MLE). On the international service market, we can observe a development of MOOC - massive open online courses, that allow us to attend remotely and for free in selected by us academic course, sometimes ended by final exam. It is not required university student status. Catalogue of English-language courses can be found e.g. on the website MOOC List. (*E-learning*, available 23.05.2015, <<http://pl.wikipedia.org/wiki/E-learning>>)

E-learning is a distance-learning using modern devices and information technologies, special software and specially prepared teaching material. E-learning may be an individual teaching form, or function as a complementation for the traditional forms of learning. (*Ewolucja e-learningu*, available 23.04.2015, <<http://nf.pl/po-pracy/ewolucja-e-learningu,8744,295>>)

In order to understand the possibilities given by e-learning as an educational method, there should be discussed a definition formulated by Kubiak who claims that „distance learning is a method of conducting educational process in the conditions that teachers and students are away from each other (sometimes it is a significant distance) and do not meet in the same place, using for sharing information – apart from the traditional means of communication- also modern tele-communicational technologies, transferring voice, video, computer data, and printed materials. Modern technologies also enables direct contact in the real time, between the teacher and student, by means of audio- or video- conference, dependent on the distance between them” (Kubiak, 2000, p. 12)

As every learning method, e-learning has its advantages and disadvantages of being used in practice. Firstly, the advantages would be discussed, they mainly include:

- reduction of the costs of learning;
- great flexibility of the educational forms and lack of territorial limitations;
- centralization of the learning process;
- standardization of knowledge, and repetitive quality of education;
- contrary to appearances, facilitated contact with the lecturer;
- comfort of a training organization, as well as its contextuality, multithreading and individualization;
- interactivity and engaging form of teaching;
- possibility of better use of organization knowledge and better recognition and understanding of its human capital;
- possibility of being a complementary teaching method for the main one;
- possibility of a dialogue among the participants of the training in order to exchange information, views and knowledge;
- possibility of education for disabled people, who can learn, or study in the places of their accommodation, not looping the availability of the same sources of knowledge, as their healthy colleagues. (Hyla, 2009, p.27; Stecyk, 2008)

Apart from the above mentioned advantages, unfortunately e-learning also has numerous limitations and disadvantages that do not occur in case of traditional education.

According to the researchers of the subject, the most significant negative features of e-learning are:

- limitations of the groups of interpersonal communication;
- being dependent on technology (equipment and connection quality, quality and type of software) and on its knowledge (both on the side of the teacher, as well as learner);
- time consuming and expensive analyses, preparing of multimedia teaching materials, as well as their conservation;
- complexity of the organization of a learning process;
- limitations of social networks by being isolated from teacher and a group;
- limitations concerning the data shared and participation in the functional classes, e.g. laboratories, experiments, etc.;

- features of the Internet, destructive for the user (a lot of interesting information, not only connected with education);
- lack of the motivating atmosphere characteristic for traditional school, or group;
- the necessity to have the predispositions for self- education, training, and self-control. (Siemieniecki, 2007; Hyla, 2009)

Presented above statement including advantages and disadvantages of e-learning was created on the basis of more or less adequate observations and opinions of the users of the systems of e-learning, selected by the authors of various publications and experts in this subject.

In order to meet the condition of profitability and efficiency of implementation of this form of development in personnel in the organization, here is important the awareness of its strategic using in the areas in which it is reasonable and may bring greater profits. It should not be treated as standard teaching tool. System of using e-learning, adjusting it to the specificity of organization makes consideration of the long- term aims and predicting the scale of impact and repeatability. (Wilkin, 2009)

4. Conclusions

In the consciousness of employers, as well as employees, existing of the need for constant and systematic development is obvious. At the same time, the need for training is understood. As mentioned in various sources (Wilkin, 2009) since several years educational activity of many adult Poles increases. Unfortunately, the process is selective, has relatively little scope and takes place mainly in a traditional way.

Conditions of development of the new forms of education unfortunately are not favourable, which is a result of a lack of knowledge and reliable information about these forms of education, as well as suspicion towards the new things. Even though e-learning is an didactic and technological innovation, so far not fully accepted, it seems that because of numerous disadvantages, it is worth being popularized and used in practice of teaching at various educational levels.

References

1. *E-learning*, available 23.05.2015, <http://pl.wikipedia.org/wiki/E-learning>
2. *Ewolucja e-learningu*, available 23.04.2015, <http://nf.pl/po-pracy/ewolucja-e-learningu,,8744,295>
3. Gadomska-Lila K., Rudawska A., Platonoff A.L. (2009): *Polityka rozwoju pracowników w zachodniopomorskich przedsiębiorstwach – wyniki badań empirycznych* in *Problemy zarządzania zasobami ludzkimi w dobie globalizacji* eds F. Byłok, L. Cichobłaziński, Wydawnictwo Politechniki Częstochowskiej, Częstochowa.
4. Kubiak M.J., (2000): *Wirtualna edukacja*, Wydawnictwo MIKOM, Warszawa.
5. Mischke J.M., (2008): *E-learning narzędziem modernizacji szkolnictwa wyższego*, Referat na VIII konferencji *Uniwersytet Wirtualny: model, narzędzia, praktyka*, Warszawa.
6. Poczowski A., (2007): *Zarządzanie zasobami ludzkimi*, PWE, Warszawa.
7. Siemieniecki B. (ed.), (2007): *Pedagogika medialna*, Wydawnictwo Naukowe PWN, Warszawa.
8. Stecyk, A. (2008): *Abc eLearningu: system LAMS: learning activity management systems*, Centrum Doradztwa i Informacji Difin, Warszawa.
9. Szalkowski A., ed. (2002): *Rozwój pracowników. Przestanki, cele, instrumenty*, Poltext, Warszawa.
10. Wilkin M., (2009): *E-nauczanie dla wielu czy dla nielicznych?*, in *E-edukacja – analiza dokonań i perspektyw rozwoju* eds M. Dąbrowski, M. Zając, Fundacja Promocji i Akredytacji Kierunków Ekonomicznych, Warszawa.

THE ROLE OF MODERN EDUCATIONAL TOOLS IN MANAGING THE WORK OF UNIVERSITY TEACHERS

Seweryn CICHÓN

*Department of Finance, Banking and Accounting, Faculty of Management, Czestochowa
University of Technology
E-mail: sew78@interia.pl*

Summary: Academic teacher plays an important role in the knowledge generation process. Students as beneficiaries of educational services, participants of the education process, are interested in, among others, innovative actions, reliability, current knowledge of their academic teachers. Only academic teachers, which effectively and efficiently are managing of their own work and the work of their charges, can be a role model for the last ones. The huge importance, in this context, has applying of modern teaching aids. Their role is facilitating the process of teaching and the learning.

Keywords: academic teachers, university management, teaching aids, management of work, student

1. Introduction

The constant changes taking place in recent decades, in the civilization and cultural dimension, resulted in creation of a new social structure in which information has become a commodity perceived as a particular intangible property (Haber, 2010, p. 22). Scientists, researchers, describing these changes implemented many notions that describe and characterize in best way a new type of the society. In popular science journalism and scientific literature common are such concepts, as the era of information, knowledge society, global society, media society, the third wave, technologic society, post-industrial society, cybernetic society and the information society (Michalkiewicz, 2015, p. 1) However, at the forefront is term „Information Society”. It is believed that it indicates the role of information and communication systems in a given society and representing about its characteristics compared to other types of society (Markowski, 2010, p. 89). Knowledge-oriented, in higher education, are academic staff and students. Today, the qualifications ensuring good practice and achieving success are referred to as „competencies”. In contemporary literature, only people who have determined and high competencies can be professionals (Strykowski, 2003, p. 32). The university teacher has the task of fulfilling a few basic responsibilities and functions: education, upbringing, welfare, environmental, enforcement and evaluation achievements and organizational skills, both in the organization of their own work and work of their students (Banach, 2009, p. 7).

2. The essence of teaching aids in the management of teacher and student work

In the literature can find different classifications of teaching aids. Teaching aids are divided depending on what senses are involved in the learning process and learning. R. Więckowski divided teaching aids on (Więckowski, 1998, p. 121-122):

- visual, e.g. slides, computer programs, schemes, symbols, diagrams, models, tools, preparations;
- aural, e.g. audio recordings along with devices enabling to use them, musical instruments, etc.;

- visually - aural, e.g. films.

There is also a division of teaching aids according to the criterion of their complexity, by this classification distinguishes (www.edukator.org.pl):

- straight aids, e.g. models, graphs, maps, images;
- complex aids, of e.g. mechanical, electrical, electronics equipment (computers, projectors, transparencies, etc.).

To modern teaching aids, which university teachers can use in the management of their and the students' work, include (PHU GERD-Madex Sp. J., p.1-83):

- projectors;
- screens;
- interactive, copying, dry-removable, information boards;
- tablets;
- tests systems;
- visualizes;
- slide projectors;
- equipment for the videoconference;
- flipcharts;
- planners.

Projectors, especially those with focal lengths, are beginning to displace conventional devices from the market, through the fact that projectors do not shine into the eyes of teachers, protecting their eyes perfectly are suitable for using together with the interactive board. Today, modern projectors have a high resolution and high brightness. Screens for displaying multimedia presentations can take different forms, i.e. electrically or manually pull-down screens, floor screens, on the tripod, are comfortable to use and can have different shapes. To conduct classes using interactive board is enough that academic teacher will use a finger or an ordinary pen, board surface is magnetic, dry-wipe, resistant to damage and this teaching aid can function with wireless tablets, systems to tests, visualizes, speakers. The modern software to interactive boards enables among others:

- control the computer using the interactive board;
- storing material formed on the board during classes in such formats as: an image file, web page or PDF document;
- change the language of software;
- recognizing the handwriting.

Applying systems to tests by academic teachers during classes has only advantages:

- instant check the level of mastering material - interactive tests of the knowledge;
- quick and objective assessment of results of the teaching;
- conducting surveys, the opinion poll;
- game shows, quizzes, interactive games, etc.;
- saving time during classes - immediate and opposite reaction;
- saving of the work of the university teacher;
- saving of paper.

The role of the visualizes is to enable display any objects or documents enlarged using the projector or TV sets.

Examples of applications this teaching aid are:

- General issues on all subjects, showing on the screen: books, homework of students, 3D objects (e.g. globe, a variety of teaching accessories, tissue samples, etc.);

- Live-recording classes, experiments, operations, techniques can be recorded and played back in later time;
- Medical schools, showing X-ray images, 3D objects (e.g. bones, tissue samples);
- Law and Administration, the presentation of evidence and documentation, comparing documents and objects on the „one to one” principle presentation of maps, diagrams, plans;
- e - learning, transmission of images live through the Internet (to participants in the videoconference) including viewing prototypes, samples, training materials and documents.

The most commonly used, by academic teachers, aids include overhead projectors which are divided into stationary and portable.

Applying copying boards by academic staff brings many benefits:

- ideal for use during scientific meetings or classes at higher language schools;
- effective use of working time;
- larger workspace - two scrollable panels for taking notes;
- possibility of return to the notes on the previous page;
- possibility of handing out notes from classes without the need to copy them by students;
- no more problems with spending on paper and used blocks to flipchart.

The electronic copying flipchart used on the market of university education services is used because of:

- The effective use of working time, students focus on the discussed issue instead of preparing notes;
- Two scrollable panels for taking notes, no unnecessary waste in the form of written sheets of paper;
- the ability to send meeting notes by e-mail, without necessity of their rewrite by the participants;
- ability to restore a complete history of notes from classes, each of participants receives the same version of notes;
- economical and comfortable use;
- complete data protection, notes can be wiped off without the risk that access to them will have e.g. students from another dean`s group.

Wide choice of planners with the different time scope, from a week to a entire year is a universal solution- now it is possible to describe every column and row depending on needs. Planners have an extremely lightweight and durable construction.

3. Information Technology in Higher Education

The term “information society” refers to the four meanings (Haber, 2010, p. 55):

1. Evolutionary - refers to the successive stages of social and economic development. The first step is the development of agriculture, the second - the industry, and the third is the development of knowledge and information.
2. Ideological - refers to the public policy long-term objectives which focus on social and economic transformations. Change the economic system gives a chance for development
3. Technology - indicates the rapid development of information and telecommunication technology, which transforms systems of work, employment, governance, management methods and education, and introduces new cultural and civilization models.

4. Cognitive - refers to the development of sociological theories related the search for the essence, genesis and meaning of the formation of information society.

The great importance and the scope of the notion “information technology”, which includes such terms and areas as computer science, information, telecommunications, media, multimedia, forces to clarify mentioned earlier definition through the recognition of information technology including its scope conceptual elements (Osmańska-Furmanek, 1999, p. 18):

- creating, using and the influence of media messengers, including multimedia, on social communication through information media;
- synthesis and analysis of the information;
- ethical, social, legal aspects and education human actions in the sphere of the information technology;
- confidentiality and data security.

The basic skills and issues of information technology that each university teacher should get, include (Sysło, 2007, p. 49):

- basics of using information technology, its tools and methods of use;
- the role and possible ways of using the information technology on the classes conducted by the teacher;
- the use of information technology as part of own workshop;
- social, ethical and legal aspects in the access and using the information technology;
- the use of information technology as a teaching aid during classes.

The process of teaching at the university based on elements of modern didactics, mass production of information, in all subjects, should lead to increased of knowledge and qualifications of academic teachers, proportionally to the development of technique and information technology (Mianecka, 2010, p. 9).

Thanks to classes taking into account the information technology students have the chance to get (Sysło, 2007, p. 31):

- ability of correct using sources of information and tools for its processing;
- knowledge about possible applications of this technology, including the sources from which it is possible to obtain information and the tools e. g.: spreadsheets, databases, software for simulation and modelling and communicating via a computer network;
- knowledge about the new opportunities that information technology provides, the consequences of its activities, capabilities and restrictions.

It is noted that information technology plays a very important role in teaching, which cannot be compared with the role of other technologies. The man is a creative and independent being, so science should not only make possible to process information, but also enable the creation of new cognitive structures based on acquired information, development of skills the constant learning and the ability to cope with new information resources (Sysło, 2004, p. 23).

4. Conclusions

Significant changes in computer science and progressive technology are forcing changes in management of higher education, the significant transformations, which are extremely important element in the information society. Priority tasks of universities include preparing students for living in the information society, whose functioning is hard to imagine without information technology and the ability to use it (Siemieniecki, 1998, p. 59). Education, similarly to other spheres of modern man life, should undergo transformations due to changes

in social and technological conditions. The principal task of education is to help a young person in achievement of competencies or ability to use modern technology (Sysło, 2004, p. 12).

References

1. Banach Cz. (2009): *Nauczyciel naszych oczekiwań i potrzeb od A do Ż*, Wydawnictwo Wyższej Szkoły Ekonomii i Innowacji, Lublin.
2. Haber L. (2010): *Spoleczeństwo informacyjne - dylematy analityczne.*, [w:] Setlak P., Szulich P. (red. nauk.), *Spoleczeństwo informacyjne. Uwarunkowania społeczne i kulturowe.*, Wydawnictwo Państwowej Wyższej Szkoły Zawodowej, Tarnobrzeg 2010.
3. Katalog produktów prezentacyjnych, PHU GERD - Madex Sp. J.
4. Markowski D. (2010): *Spoleczeństwo sieci i netokracja. Możliwe zależności i prognozy.*, [w:] red. Setlak P., Szulich P. (red. nauk.), *Spoleczeństwo informacyjne. Uwarunkowania społeczne i kulturowe.*, Wydawnictwo Państwowej Wyższej Szkoły Zawodowej, Tarnobrzeg.
5. Mianecka J. (2010): *Kompetencje nauczycieli w zakresie technologii informacyjnej a ich postaw wobec tej technologii oraz jej wykorzystania w procesie dydaktyczno - wychowawczym - wnioski z badań.*, [w:] Lewowiecki T., Sienieniecki B. (red. nauk.), *Język - komunikacja - media - edukacja.*, Wydawnictwo Adam Marszałek, Toruń.
6. Michalkiewicz A. (2015): *Rozwój społeczeństwa informacyjnego.*, http://www.wbp.olsztyn.pl/bwm/3-4_02-ie/rozwoj.htm
7. Osmańska - Furmanek W. (1999): *Nowe technologie informacyjne w edukacji.*, Lubuskie Towarzystwo Naukowe, Zielona Góra.
8. Siemieniecki B. (1998): *Potrzeby przemian w edukacji na rzecz rozwoju myślenia.*, [w:] Rubacha K. (red. nauk.), *Wokół szkoły i edukacji. Syntezy i refleksji*, Wydawnictwo Adam Marszałek, Toruń.
9. Strykowski W. (2003): *Kompetencje nauczyciela szkoły współczesnej*, Wydawnictwo eMPi2, Poznań.
10. Sysło M. (2007): *Metodyka edukacji informatycznej: rozwiązywanie problemów, algorytmika, programowanie* [w:] Mossa J. (red. nauk.) *Edukacja dla rozwoju społeczeństwa informacyjnego*, Łódzkie Centrum Doskonalenia Nauczycieli i Kształcenia Praktycznego, Łódź.
11. Sysło M. (2004): *Technologia informacyjna w edukacji.*, Instytut Informatyki Uniwersytetu Wrocławskiego, Wrocław.
12. Więckowski R. (1998): *Pedagogika wczesnoszkolna*, Wydawnictwo WSiP, Warszawa.
13. www.edukator.org.pl [20.04.2015]

A PERSONNEL AUDIT AS AN ELEMENT OF EMPLOYEE MOTIVATION AND COMMITMENT

Agata PRZEWOŻNA-KRZEMIŃSKA

Department of Management, University of Technology Częstochowa, Poland

E-mail: agata.krzem13@wp.pl

Summary: The aim of the following article is to evaluate the aspects of personnel audit and show it as a tool for increasing the employee motivation and commitment within the organization. The effectiveness of every organizational unit depends to a great extent on the efficiency of HR services. The purpose of personnel audit is to evaluate whether the organization's policies and procedures, internal rules and legal regulations remain in compliance with the practical skills, in relation to labour law, remuneration policy, employee benefit accounting, tax accounting standards, human resources document management as well as social insurance services. A personnel audit is an integral element of other audits conducted within the organization, including internal audits, quality audits, management audits and organizational audits. It is an independent tool for improving the effectiveness of the human resources policy. A personnel audit performs both its advisory and monitoring functions. It is defined as a systematic, independent and methodical process of employee evaluation. The purpose of an audit is to provide information. The audit procedures result in the provision of information whereas their objectives include the conclusions and recommendations on the organization of work. The article has theoretical character.

Keywords: personnel audit, employee motivation, human resources management, labour law, company.

1. Introduction

Modern companies are ready to take advantage of every opportunity to survive in the current market situation, remain competitive and increase the brand awareness. To achieve these goals, one of the key solutions is to hire the best employees, motivate them to work efficiently and make the most of their intellectual potential. The employer in each workplace tends to encourage employees to help him/her achieve the business objectives in accordance with labour law and organizational culture. It is now more frequent occurrence that the employers appreciate the role of HR approach, which is in line with the trends and changes that have taken place in the field of human resources management services.

At present, these services are based on professionalism and innovativeness as regards the implementation of new rules, regulations and procedures. The organizations which discard the modern professional methods in reference to the personnel function are no longer able to recruit and motivate the best specialists, or gain a reputation for being successful employer and credible business partners. Numerous research studies conducted in the field of organization and management indicate that the most successful companies have modern human resources management systems. This is why the HRM procedures should be constantly updated and improved. One of the key tools is the personnel audit, which is conducted to verify the effectiveness of a HRM system within the organization.

2. The aspects of human resources management evaluated by a personnel audit

The personnel audit is conducted as part of the total internal audit, which is designed to evaluate the effectiveness of all organization's operations.

The subject literature provides a wide spectrum of definitions of the term 'personnel auditing'. According to the HRM dictionary, "An HR audit is a tool for evaluating the personnel employed in the organization and the staff management strategy". (<http://www.hrk.pl>). The clearest possible definition has been coined by A. Pocztowski, who refers to a personnel audit as " the systematic, independent and methodical examination and appraisal of human resources and the system of managing them, aiming at monitoring the compliance of their condition with the adopted standards" (Pocztowski 2003, p. 29). According to the management theorists, it is necessary to distinguish between a personnel audit and an HR function audit (the human resources management system). The HR function audit evaluates the company's organizational structure, professional competence, motivation, the level of employee commitment and work efficiency.

Table 1: The aspects of human resources management evaluated by a personnel audit

THE ASPECTS OF HRM
COMPETENCE, MOTIVATION, EMPLOYEE COMMITMENT
WORK EFFICIENCY AND LABOUR COSTS
EMPLOYMENT STATUS AND ORGANIZATIONAL STRUCTURE
INTERNAL AND EXTERNAL STAFF TURNOVER

Source: own elaboration based on Pocztowski, ed. (2004)

On the other hand, a personnel audit refers to functional, instrumental and institutional aspects, of course in relation to the organizational strategy. (Pocztowski. 2004, p.153). In conclusion, a personnel audit is a process revolving around the personnel employed in the organization and the system of human resources management (a quick examination of the key principles and practices related to HRM). The specific objectives of personnel audits are as follows: the structuring of organizational work performance principles, examination or improvement of regulations and procedures in terms of their compliance with the existing labour laws as well as the enhancement of the human resources management services. A personnel audit can take from a few to more than ten weeks, depending on the scope of necessary changes, previously proposed. It is a relatively common occurrence for the audits to be mistakenly regarded as a form of company control, which often arouses negative emotions among the staff and the fear that some disturbing irregularities and malpractices might be discovered. As a result, the employees are afraid of change, as an inevitable consequence of the audit process. Such approach is due to misinformation or lack of knowledge of the audit objectives. It frequently happens that the employees do not know why the audit has been requested by their employer, and when the personnel audit is commissioned, their fears are even greater.

3. Personnel audit characteristics

As it has already been mentioned, a personnel audit can deal with each of the HRM aspects, including: a/ the employees and HR administration services, b/ the basic HR procedures: * (recruitment, selection, adaptation) – selecting the best candidate for performing the most significant role in the new organizational structure; * (training courses, career development, employee assessment), obtaining precise information on the employees potential,* the career development planning process (career, effective succession planning, redundancy and

periodic assessment planning,* the optimal utilization of the employee potential, * concentration on new employees' adaptation problems as well as career development obstacles and limitations resulting from the discrepancy between the requirements and the employees' skills and capacities (Marciniak 2006, p.15).

Judging from the analysis of the advantages of personnel audit, it might seem that most employees covered by the audit have hardly any chance to achieve their goals or benefit from the process in any way, especially when faced with numerous fears. However, according to research, it is thanks to audits that the employees tend to move into more prestigious positions, they become more involved in their work and they are highly motivated to develop their skills, qualifications and full capacities.

The greatest benefit that the audits offer to the employees is the opportunity to acquire a thorough knowledge of their own skills and competences, as well as their strengths that should be developed, and the weaknesses that ought to be eliminated. It is also thanks to the personnel audit that the employees are provided the unique opportunity to motivate themselves to further professional development through the participation in effective trainings and thus to plan far enough ahead to participate in training courses. They also become acquainted with the new personnel management tools, improve interpersonal communication and confront their tasks and problems with other employees. It is through personnel audits that some HRM areas are improved and the employees' motivation and their work commitment considerably increased.

Along with the employees, the organization itself is given a chance to efficiently utilize the knowledge and skills of highly motivated employees. The other advantages include the professionalization of HRM policy, the promotion of greater responsibility and more professional approach of HR personnel, defining the range of HR department duties and responsibilities, stimulating the consistency of policies and actions within the HRM department, identifying and defining possible personnel problems, ensuring compliance between the actions taken by the organization and legal requirements, optimizing labour cost due to the improvement of the existing procedures, contributing to the acceptance of necessary changes of the role and place of the HR department and examining human resource information system within the organizational unit. The characteristics of personnel audit are shown in Table 2.

Table 2: The characteristics of personnel audit within the organization

PERSONNEL AUDIT CHARACTERISTICS
• OBJECTIVE EVALUATION AND IMPROVEMENT
APPLICATION OF SIMPLIFIED PROCEDURES
• ADOPTION OF BENCHMARK STANDARDS FOR EXAMINATION AND EVALUATION
• CO-OPERATION BETWEEN AUDITORS AND MANAGERS
• SYSTEMATIC COURSE OF ACTION IN ACCORDANCE WITH THE ESTABLISHED PROCEDURES
• THE INDEPENDENCE OF THE AUDITOR IN THE PROCESS OF EXAMINATION AND EVALUATION
• SUBMISSION OF EVALUATION AND APPRAISAL REPORT, WHICH IS THE BASIS OF DEVELOPING AN IMPROVEMENT PLAN IN THE AREA OF HUMAN RESOURCES MANAGEMENT

Source: own elaboration based on Poczowski, ed. (2004)

4. Conclusion

A personnel audit is an effective tool for improving HRM services as long as it is conducted according to the carefully developed procedures covering the following aspects: the purpose, the subject matter and scope, auditing and evaluation standards, the roles and responsibilities of audit participants, defining the ground realities in the assessed area, verification and interpretation of the audit findings and the final report. If any irregularities have been detected by the auditors, the organization is obliged to establish a corrective action plan and inform them about its realization within the time frame set by both sides. The auditor verifies the evidence of the realization of corrective actions taken by the organization. It occasionally happens that a re-audit is needed to confirm that the improvements in the given areas have been effective. An audit is an extremely broad topic area. Thus the following article is only a partial survey of those audit's benefits which can increase employee motivation and engagement in the workplace.

References

1. http://www.hrk.pl/pl/home/slowniki/slownik_hr/audyt_personalny.aspx
2. Marciniak J. (2006): Audyt funkcji personalnej w przedsiębiorstwie, Oficyna Ekonomiczna Kraków.
3. Pochtowski A. (2003): Zarządzanie zasobami ludzkimi, PWE Warszawa.
4. Pochtowski A., Potoczek N., (2004): Audyt personalny jako narzędzie zarządzania zasobami ludzkimi, w: Zarządzanie personelem dziś i jutro:Praca zbiorowa pod red. Z. Jankowskiej, Absolwent, Łódź, p. 228.
5. Sapeta T., (2004): Audyt personalny jako narzędzie wspierające zarządzanie zasobami ludzkimi, w: Zeszyty Naukowe Akademii Ekonomicznej, Kraków, 679, p. 29.

**PROJECT OF MONITORING OF EMPLOYEES' PSYCHOPHYSICAL CONDITION
USING AFTEREFFECT AS A MEAN OF DECREASING THE NUMBER OF
ACCIDENTS AND WRONG DECISIONS**

Miroslaw HARCIAREK

Faculty of Management, Czestochowa University of Technology, Poland

E-mail: miroslaw.harciarek@gmail.com

Summary: The aim of presented work is to propose a method of psychophysical condition's examining and monitoring in managers and employees who hold responsible positions that require high decisional efficiency. Based on the existing empirical and theoretical knowledge, it is here assumed that lateralization and brain's hemispheres' cooperation are closely related to stress, fatigue and well-being. Aftereffect is presented here as a method of measurement of lateralization and its level. Exemplary experimental procedures of this phenomenon and its interpretation in terms of psychophysical condition are described. Development of method of psychophysical condition's measurement that will include stress, fatigue or personal problems that frequently lead to desperate behaviour at work or elsewhere is highly worthwhile. This development as well as practical use of aftereffect to monitor the psychophysical state will surely contribute to reduction of accidents' at work rate and will increase the probability of taking accurate decisions by managers as well as it will facilitate adoption of life style that promotes good psychophysical condition.

Keywords: psychophysical condition, brain's hemispheres cooperation, lateralization, aftereffect, stress, accidents rate, decisional errors

1. Introduction

As it is said by English, wrong decisions most commonly are not the effect of lack of substantive knowledge but are caused by tension, stress or fatigue. So called human factor is a cause of not only many mistakes made by managers but, what should be also noticed, it is a main source of many of accidents and catastrophes that are taking place in other occupations. Nowadays, condition of employees is measured in form of obligatory periodic health examinations, but do they include psychophysical condition as well? In practice this issue is left either to the employee him(her)self or to his/her immediate supervisor. But from where the concerned person or the supervisor can get the knowledge of current psychophysical state? It is not easy to notice tension or stress in oneself, especially when one is experiencing problems on daily basis and every difficulty is attributed to the external world. Researches show that for example pilots have difficulties in specifying their condition and level of psychological tension (Beaty, 1995) succumbing to illusions what is a common cause of air accidents (Bednarek, 2011). So is there any method which would be accurate and which would allow for frequent examinations that would specify psychological condition and then based on them to decide what kind of work or what task should be undertaken in given moment? Wouldn't it be good to have this kind of measuring tool, to monitor on the regular and frequent basis employee's psychophysical state, and not only to check his /her suitability to work on certain post every now and then? The aim is not to impose additional restrictions or formalism that would constitute an additional burden to the employee or the supervisor but the authentic attention and care about his/her condition, the quality and safety of performed work. This kind of knowledge would be certainly important not only for managers, who could

learn how to manage themselves in better way but also for people working as pilots, lifeguards, or soldiers executing important tasks or missions.

As an answer to above stated problem in this paper, it is proposed to apply the aftereffect phenomenon to the diagnosis of the level of brain hemispheres' cooperation that conditions and reflects psychophysical state of the examined individual.

2. Lateralization and brain hemispheres' cooperation as manifestation of psychophysical condition

In accordance to Broca's notion lateralization that is functional predominance of one of the body sides (that concerns lower and upper limbs, eyes and ears) over the other is determined by predominance of one of the brain's hemispheres over the other. Left hemisphere controls the functioning of the right side of the body, while right hemisphere controls functioning of left side of the body. Dominance of left hemisphere is manifested in right-handedness, while dominance of right hemisphere is manifested in left-handedness. However, damages in right hemisphere of left-handed people entail symptoms that are both quantitatively and qualitatively (i.e. easiness of recovery of given function) are not closely related with those, that occur in case of damages to left hemisphere of right-handed individuals. That means, that lateralization constitutes a highly complex issue and requires the analysis of functioning of brain as a whole. Dominance of one of the hemispheres can have physiological or pathological character. One person can be left-handed because main nerve impulses are coming from right hemisphere (physiological left-handedness) or because his/her left hemisphere was damaged what led to taking the function over by the right hemisphere (pathological left-handedness). Physiological and pathological right-handedness is explained analogously.

Dominance of one of the hemispheres over the other can be expressed weaker or stronger, therefore one can be identified as clearly and totally right-sided and passing through intermediate stages ambidextrous people can be find – only if hand dominance is considered. Moreover, in one person dominance of different limbs and organs can manifest itself in different ways what leads to distinguishing – apart from homogeneous left- and right-handedness – various forms of crossed lateralization. In order to describe lateralization – most commonly the dominance of hand, eye or leg is examined. Most often it is assumed that physiological left- or right-handed lateralization is determined when we are born what does not mean however that that the learning process, upbringing or various psychophysical states do not influence it.

Lot of studies showed that different psychophysical disorders, including psychical diseases are linked with lateralization and especially with the cooperation of brain's hemispheres. That concerns also stress, fatigue and well-being that is, generally speaking, psychophysical condition. In other words, if we want to state what is the condition of the employee in order to take care of it, if we want to capture moments in which we should not take important decisions or if we want to decrease the number of accidents at work, the development of the tool that would enable us to identify present psychophysical state should be taken on. We should have the diagnostic tool that enables us to identify the state that we are in especially, as it was mentioned, its evaluation based on well-being made but the one who is concerned, is unreliable.

3. Visual aftereffect as the indicator of employees' lateralization and psychophysical condition

If lateralization and cooperation of brain hemispheres is so important for evaluation of psychophysical condition, the question of how it can be measured should be posed. Is it possible to measure it during the work time or shortly before starting work, so the evaluation of employee's condition could be made relatively quickly and accurate with possibility of repeating of the examination if necessary? There is a certain rhythm of operating in the workplace and employees must efficiently fulfil their responsibilities what means that there is no much time that could be devoted to diagnostics in type of laboratory examinations.

Phenomenon that meets those requirements is visual aftereffect. It can serve as an indicator of lateralization, and more importantly, it enables specifying level of brain's hemispheres cooperation what allows to evaluate mental condition of employee. It has been relatively long time ago postulated to use this phenomenon in examining of eyes' lateralization (Zazzo, 1974, p. 29), but there were no special reasons to develop this proposal, especially if sufficiently extensive knowledge on importance of functional hemispheres' asymmetry wasn't available. Nowadays we have more detailed knowledge on brain's functioning and modern examination methods, i.e. PET or diffusion tensor imaging technique – DTI (Gazzaniga, 2011). Those methods seem to be so attractive that other proposals remain on the side-lines. Moreover, what is important to presented here considerations, so far visual aftereffects haven't been explained in satisfactory way, thought they still are the subject of many researches and theoretical interpretations, what was presented in several works Anstis, Verstraten and Mather (1998), Harciarek (2014), Anstis (2014). Regardless from its interpretation, this phenomenon enables specifying eyes' lateralization by measurement of duration time of the aftereffect reaction for left and right eye. Whereas the difference in duration times of this phenomenon between each eye is an indicator of the level of side predominance of one or the other eye. The bigger is the difference, the higher is the level of lateralization that is the level of predominance of one eye over the other. Left-sided lateralization (predominance of the left eye) is interpreted as the dominance of right hemisphere, and right-sided lateralization (predominance of right eye) as dominance of the left hemisphere.

In examining the aftereffect phenomenon moving stimulus can be used, i.e. disc with printed Archimedes' spiral with the diameter of 35 cm that is turning with speed of 33 rotations per minute on which examined person is looking for 60 seconds from a distance of 80 cm. After the turning spiral is stopped, the examined person still can see the illusory motion which lasts for some time. Examination of lateralization of the eye based on the aftereffect phenomenon can be conducted also with use of static stimulus, i.e. red square which each side has 3,5 cm and which is place on white background. In this case, the gaze should be fixed for one minute on this square and after that it should be covered with white paper board on which examined person should observe aftereffect in form of fair, lighting square. Duration time of this phenomenon induced either by rotating spiral or by motionless square should be defined for each person separately. Comparison among those duration times constitutes the basis of identifying the level of lateralization. For better reliability of the measurement it is advisable to repeat the examination, especially since it does not take a long time.

On the basis of acquired duration times of aftereffect phenomenon the evaluation of employee's psychophysical condition can be made. If the times of aftereffects in left and right eye are equal, the level of lateralization is low what suggests worse psychophysical condition of the examined person. Also too long duration time of aftereffect reaction or a long time of a latency (time period between the cessation of the gaze's fixation and the appearance of the aftereffect) should be interpreted as not good psychophysical state. In order to specify in reliable and accurate way the psychophysical condition of employee standardization

examination should be conducted and the measurement of reliability and accuracy of this method should be made.

It is worth noting that objectification of above described examination method is possible if in order to specify duration time of aftereffect also EEG will be used. But this is a future version which surely can take place when this method will prove to be useful, especially in helping in management and in increasing of the level of work efficiency in many occupations that require high psychophysical performance.

Method proposed here, in which aftereffect is an indicator of psychophysical condition, can be practically used in managers' periodic examinations or in situation when he or she has to take an important decision or perform difficult task. In case of psychological state's monitoring by use of this method and in case of stating high inner tension it is possible to apply therapeutic or relaxing actions to reset the optimal level of manager's psychophysical condition.

4. Conclusion

Taking into account the human factor accidents and managers' wrong decisions, measuring and monitoring of psychophysical condition is highly desirable. The method proposed above enables not only to evaluate of employee's psychophysical efficiency in relatively short time, but also can be repeatedly used also in the same person without concern that the previous examinations will influence the next one or will prevent them, what often happens in case of psychological examinations. In contrary, next examinations due to the experience will be more accurate and correct. Method of diagnosis of psychophysical condition with use of aftereffect that is proposed in this paper should be subjected to standardization as soon as possible, incorporate to practice of managing and include in already existing techniques that help to fight stress and to understand it in better way (Heszen, 2013, Grzywacz, 2012). Using of this method to monitor the psychophysical condition we can anticipate efficiently and quickly forthcoming state of managers' overload and thereby protect examined person from intense stress, which may occur as culmination of tensions. By this, we will surely contribute to decrease in number of accidents caused by so called human factor.

References

1. Beaty B. (1995): *The Naked Pilot*, Crowood Lane, Ramsbury, Marlborough, Wiltshire.
2. Bednarek H. (2011): *Czy piloci ulegają złudzeniom percepcyjnym?*, Gdańskie Wydawnictwo Psychologiczne, Gdańsk.
3. Zazzo R. (1974): *Metody psychologicznego badania dziecka*, PZWL, Warszawa.
4. Gazzaniga M.S. (2011): *Who's in charge? Free Will and the Science of the Brain*, New York: Ecco.
5. Anstis S., Verstraten F.A.J., Mather G: (1998): The motion aftereffect, *Trends in Cognitive Sciences*, vol. 2, no. 3., pp. 111-117.
6. Harciarek M. (2014): Wzrokowy układ poznawczy jako spektrometr, *Humanistyka*
7. i *Przyrodznawstwo*, nr 20, p. 161-176.
8. Anstis S. (2014): Pattern specificity of contrast adaptation, *"i-Perception"*, volume 5, pages 73 –74
9. Heszen I. (2013): *Psychologia stresu*, Wydawnictwo Naukowe PWN, Warszawa.
10. Grzywacz R. (2012): Problematyka stresu w środowisku studenckim na podstawie badań, in *„Medycyna Rodzinna”*, s. 36-43.

ROLE OF HUMAN RESOURCE IN THE EFFICIENT OPERATION OF COMPANIES IN THE HEALTHCARE ENTITIES

Marzena PYTEL-KOPCZYŃSKA

Faculty of Management, Częstochowa University of Technology, Poland

E-mail:mlpg2006@wp.pl

Summary: Human resources determine each organisation functioning. It is assumed that they significantly contribute to the efficiency improvement, affect the results obtained by the company. The efficient human resources management concentrates not only on the development of competences but it also cares for the psychological and physiological condition of an employee.

The holistic approach to the health and human potential management is necessary in the context of the organisation functioning in the conditions of unsecure and huge competitiveness, ageing society, higher professional activity of women in the labour market, employment growth in the services and differentiating the traditional work structures.

Due to the vast role which work plays in the human life, aware and skillful shaping of the work environment is particularly important. The purpose of this article is to emphasise the role of human potential in the context of an effective functioning of the healthcare entities in the light of empirical research.

Keywords: human resource, conditions of the medical staff's work, healthcare entities

1. Introduction

There were many changes both in the theory and in practice concerning the approach to the human work issue in the last century. The professional work constitutes almost one third of life, shapes the life plans, affects the human development, releases initiative and creative thinking activity, brings happiness and satisfaction but may also constitute the source of problems, worries, may cause that that human being is unhappy and discouraged. Thus, it is not surprising that the professional work, valued as much as family life, starts to lead in the modern human being's system of values. Human potential management receives a significant role in the organisation development, obtaining competitive advantage and in creating added value.

The proper use of this intangible, non-financial potential may significantly increase the company effectiveness, its value, significantly affect the increase in competitiveness as well as maximise the social benefits.

The coherent human resource management system, harmonised with other areas of the organisation functioning and adapted to the context of its operation affects the social receipt, which is included in the company goodwill and is seen as the employees' engagement and satisfaction, the most important resource of each organisation.

Bad company reputation results in the human beings' lack of trust to the company, to its market offer, the lack of recognition and acceptance of everything the organisation says and states about itself in its surrounding (Dowling, 2001).

In the surroundings in which the stabilisation gives place to the creative destruction, the companies have to be changed continuously in such a way that they deliver long-term values and satisfy the market needs.

The area of the health protection is very important for the needs of the market. The area of healthcare is a very specific one, the usefulness of particular management concepts is especially important in its area to create the efficient working environment conditions.

2. The role of the system of human-work in raising the efficiency of healthcare entity functioning in the light of empirical research

The employees of the healthcare sector performing the wide scope of activities in the working environment are exposed on different threats of their health connected with the differentiation of tasks and performed activities.

About 10 % of different workers in the European Union are employed in this sector. The working conditions specifying the level of physical, psychological and social burden in the work process depend on numerous factors (Pytel-Kopczyńska, 2014a).

The nurses due to the fact that they are exposed on numerous threats connected with the nature of work are exposed on injuries and diseases caused by needle pricks and blood derivative diseases. Additionally, as it arises from numerous statistical data and the results of tests, the occurrence of muscle and skeleton system diseases is also a problem (Pytel-Kopczyńska, 2013).

The numerous psychological and social conditions comprise also a significant issue existing in the nurse's working environment (Pytel-Kopczyńska, 2014b).

As it results from the data published by the International Council of Nurses, many people performing this medical occupation are endangered on the risk of injuries, suffer from injuries, have accidents at the work place due to which they are unable to continue their work. Respectively, 75.8% of the nurses surveyed in the USA stated that the dangerous working conditions affect their ability to provide qualified care and as many as 88% of respondents stated that the decisions about the type of performed work as well as decisions about the fact whether they will continue it in general depend on the conditions in which the work is performed (Papp E. M., 2007).

The above observations confirm the results of the pilot empirical research conducted by the author on the group of 100 nurses employed in a hospital at the area of Śląsk Province which was performed within the research project referring to the working conditions among the medical professions. They will be discussed more widely in next publication.

The tested area referred to the work features connected with the psychological and social employees' needs and preferences, work features connected with the social relations and work features connected with the management system.

The analyses show that the nurses feel strongly responsible for the life and health of another man, they are exposed on experiencing internal conflicts at work, they feel underestimated and regard that their remuneration is not adequate to the requirements they have to face. The majority of the tested persons have the feeling of limited possibilities of professional development. Despite the fact that the majority of respondents feel the authentic support from the closest co-workers, paradoxically the majority of tested persons state that there is a negative competitiveness between the workers in the work place.

Moreover, the nurses are exposed on conflicts with patients or their families. Almost half of the tested persons claim that they are endangered on hostile behaviours, aggression or mobbing in the work place. Additionally, remuneration and the security of employment appear as one of the most important priorities connected with the performed work.

The nurses list as the least important the following factors: possibility to increase the qualifications, performance of attractive tasks and high efficiency that was assessed as the least important. Also the lack of employees' information concerning such matters as development strategy or events important for the medical entity turned out to be really

significant. The lack of such information causes that the employees do not identify themselves with the company as well as decreases the feeling of security referring to the employment continuity in a given organisation. Sharing such information with the employees gives them the feeling of participation and influence on the organisation future, increases the awareness of their own work meaning in the context of the performance of objectives for the benefit of the whole medical entity.

3. Conclusion

In the economically well-developed countries the competitiveness of companies depends on the continuously changing external and internal, market and non-market, conditions. They cause that the companies use newer and newer competitiveness factors while obtaining customers, looking for the acceptance of their actions in the social opinion. Analysing the sources of the companies competitive advantage it is possible to differentiate numerous important factors. The competitiveness factors specified as the classic ones stop playing a significant role. The human abilities and skills are attributed to people as important in the process of creating the added value and company development.

The factors referring to different aspects of the employees' health care, creating the appropriate working conditions for the staff of all age groups, promoting the mental health, creating healthy conditions in the work place, maintaining the ability to work for the whole period of professional life, facilitating the social communication referring to the health matters belong to the additional competitiveness factors which are more and more often distinguished by the employees.

However, it is necessary to consider the fact that the same person behaves during work in a different way, depending on the fact how long the work process takes, disbursement of the work force and what type of work is performed. The human organism reacts differently at the complicated work, differently at the monotonous, hard, demanding work, e.g. frequent change of the body position. Two type of factors work here, the ones, which increase the effectiveness, efficiency and disposition to work, i.e. the psychological and physiological conditions of the readiness growth and the ones which increase the eagerness to work, i.e. the mentally conditioned readiness growth.

It is not indifferent which factors constitute the barriers in the scope of proper functioning of the human-work system. Should the system efficiency increase with the influence of eagerness but without the improvement of the working conditions, it happens as the increased use of energy reserves in the human body. Thus, the interaction employee and working environment should be perceived as a system, which produces intelligent actions, enabling the performance of the objectives indicated by the company.

References

1. Dowling G., (2001): *Creating corporate reputations*, Oxford University Press.
2. Papp E. M., (2007): *Zarządzanie zdrowiem i bezpieczeństwem w miejscu pracy . Program dla pielęgniarek* , Międzynarodowa Rada Pielęgniarek (International Council of Nurses - ICN) Polskie Towarzystwo Pielęgniarskie, Warszawa.
3. Pytel - Kopczyńska M., (2014a): *Analiza czynników kształtujących psychospołeczne warunki pracy w aspekcie zarządzania rozwojem organizacji*, w: *Kultura organizacyjna we współczesnych organizacjach* (red.) K. Szymańska, Monografie Politechniki Łódzkiej, Łódź.
4. Pytel- Kopczyńska M., (2013): *Kształtowanie środowiska pracy kadry pielęgniarskiej w podmiotach leczniczych*, [in]: *Zarządzanie personelem pielęgniarskim w podmiotach*

lecniczych. Zagadnienia wybrane. Red. nauk. Bożena Pietrzak, Tomasz Karkowski, Warszawa: Wolter Kluwer Polska.

5. Pytel- Kopczyńska M., (2014b): Changes on the work system in the healthcare entities in the context of new management trends [in]: Management and Manager Facing Challenges of the 21st Century- Theoretical Background and Practical Applications, (eds.) Iveta Ubreziova, Felicjan Bylok, Leszek Cichobłaziński, Szent Istvan Egyetemi Kiado Hungary.

SOME ASPECTS OF HUMAN RESOURCE MANAGEMENT WITH SPECIAL EMPHASIS ON HR STRATEGIES AND TOOLS

Ghazala OTHMAN, Abdussalam Ashour KHALIF, Ali ALAMMARI

*Szent István University, Doctoral School of Management and Business Studies, Gödöllő,
Hungary*

E-mail: omrawasi@yahoo.com

Summary: Human Resource Management (HRM) has been emphasized as a significant contributor to successful business strategy. Like most of the innovative new methods in business area, HRM also emerged in the US and it has been spread from there to other countries, primarily by multinational companies. The evolution of HRM is strongly connected to changes in labour market firstly of all in developed countries. Low-value-added work phases have been outsourced from developed countries to poorer ones, especially to Southeast Asia, where semi-skilled workers suffer under terrible conditions but who cares? This labour force is surely not subjects of sophisticated HRM methods. However, topics in HRM related to higher value-added jobs have growing importance (selection, recruiting, retention, etc.). Attractive, inspiring work-Environment (ergonomics) can be considered as product of HRM. One of the most important tasks of HRM is to improve performance in organization. In multinational companies, HRM helps incorporate employees arriving from different cultural environment. Its impact on Small and Medium Size Enterprises (SMEs) can be more directly observed because of the smaller size of organization. In the public sector, HRM also can play important role, but in a number of countries, it is used to serve corruption, clientele building and servilism and not public ethos. New challenges, usually connected to current social debates, determine the development of HRM.

Keywords: Labour Market, HRM, Multinational Companies, Labour Force, Systems Management

1. Introduction

Human Resource (HR) is a product of the early 20th century, when researchers began documenting ways of creating business value through the management and later strategic management of the workforce. The function was initially dominated by transactional work, like administration of payroll, award, benefit, i.e. pure administration.

Many feel that the worldwide social changes are rapid and fundamental and this cannot be handled by traditional means. If we look at for example the automation on one hand it can significantly reduce the need for human labour, and on other hand it raises the danger that robots could reign over humanity. So what might be the prospect for artificial intelligence? Sometimes social theoretical approach can help find answers for challenges related to HRM. HR department or HRM has an important role in the life of organizations/companies. Its aim is to maximize employees' performance at state, corporate or private organization. This type of activity is focusing on how people can be managed within organizations, respecting its system, strategy, policy, value, targets, etc. Thus, the typical HR department is dealing with recruitment, development, training, further education, the performance appraisal, the motivation and rewarding system of employees. Finally, in this paper, we try to summarize the development of HRM and its impact on organizations, mostly on business corporations. The role of HR/HRM has been different in different period. By today, a real science evolved

and HRM consist of many different elements. Areas covered by HRM invoke other sciences like industrial/organizational psychology, sociology, ergonomics, education, etc. They all contributed to the success story of HRM.

2. Different Aspects of HRM

Schein 1985 describes three types of organization in his work *Organisational Culture and Leadership* and they reflect how HRM is challenged by different corporate philosophy and management style (Mureithi & Wasikama 2000), which are as the follows:

1. *Culture of Operators*: it develops behaviour, which on one hand can manage and mitigate the impact of changes caused by managers, leaders, and on other hand can handle the intervention and commanding endeavours of the various functional unit.

2. *Culture of Technocrats (Engineers)*: this is the culture of professionals dealing with operation, systems, and rules of the organization. Those who belongs to this culture, they usually do not like dealing with people and are happy to ignore questions about human behaviour.

3. *Culture of the Leaders (Executives)*: this is basically characteristic of managers, top executives. For them, the fundamental value is the vindication of the financial aspects, the share price and the dividend, securing financial viability, preserving the goodwill of stakeholders.

The three main different dimensions, which can be considered in HRM as we look at the essence of HR activity, are:

1. *Classical tasks* - Dealing with employees regarding the company's or organization's strategy/targets. From this aspect, the primary purpose of HRM is to serve the basic needs of the company/organization. Administrating the traditional task, keeping records related to staff, gathering information about study etc. This activity is considered with suspicion in non-democratic or not fully democratic systems and the connotation of HR department is negative in these countries. Although the primary focus is on the interest of the company/organization, HR is dealing with the well-being of employees as well, like certain benefits, social assistance system, maintaining the contact with retired workers, etc. The HRM's position is somewhat schizophrenic between owner/manager and employees. It must fully serve the interest of organization. In many cases, HR staff has direct contact with police or intelligence services. Still HR must carry out confidence building.

2. *Contribution to the development of corporate strategy* - This activity evolved later than the first one. At that time, HR already had other duties as well not only the administrative ones. HR became responsible not only for daily services but was expected to contribute to long-term strategic plans. HR was challenged how it could contribute to improving the quality, strengthening the creativity and increasing the competitiveness. In addition, there is another difficult topic: the international competitiveness. It is important that these questions/requests should be answered-reflected by employees as well even if they do not do it in a formalized manner.

3. *The self-interest of the HR department* - Of course, every organization has its own interests, the so-called self-interest. In this respect, HR Department does not differ from other departments. Concerning its self-interest, it conducts similar strategies within the organization than other departments. It participates in the power plays with other units. The only difference is that the access to information is not equal and HR's position is advanced. What does the self-interest dictate? Preserving the organization, this is the normal basic condition of any existence. Then, an important goal is also to be strength enough in comparison to other units. HR should be considered useful, important and irreplaceable for the management's purpose. HR Department must avoid being blameable by the staff for any negative decision affecting

employees. The managers/owners must be instead scolded or hated. It needs a well-balanced double game. (Ulrich, 1997)

2.1. HRM at International Companies

At international companies two type of HRM can be distinct. One is the classical one that can be called *administrative system*. It can be characterized by the following marks:

- Using low-skilled labour or specialized that does not require the establishment of a complex system of recruitment – it's mostly typical at traditional companies but it's different at creative companies.
- Tasks are often routine and there is no need for a sophisticated training option or the development of the workforce.
- The evaluation is strongly based on concrete results, usually on mass products.
- The remuneration is used to be an automatism and individual award can be based on productivity or concrete production.

The other type of HRM can be called *human capital system*, and can be characterized by the following marks:

- The role of the employees is changing, and it is flexible. The knowledge or skill of the employees is evolving from a simple task to the more complex challenges. The employee is required to provide non-mechanic attitudes like problem solving, continuous improvement of quality, innovative approach.
- The acquisition of employees by HRM is key element of achieving the management's targets. Usually it needs an extra training to fit the employee into the corporate environment.
- HRM should be active in providing with all of the available information.
- The remuneration is usually targeted the group and not the individual, based on the collective performance.

2.2. HRM at SMEs

Significant, simultaneous and longitudinal relationships are proved between different HRM practices and performance-indicators. Given limited resources in comparison to big companies, the SMEs have less option to improve performance. And also have less financial ability to hire a strongly motivated staff. It should be counterbalanced by attractive advantages that cannot be provided easily by large, less flexible corporations (Schuler 2000). There is a challenging question in many cases how SMEs can collaborate with big corporations, it may have different forms like SMEs' facility is fitted to just-in-time delivery system or supply-chain process, cooperation on research and innovation, product development and design, taking over outsourced tasks, entering into a strategic alliances and collaborative partnerships.

2.3. HR Strategies and HRM Tools

Conceptually the following four factors related to competitiveness can be separated: performance, quality, flexibility and innovation. If they are considered in a timetable, we can see the four main benchmarks in the development of HRM in the last thirty-forty years. And they express well the switch from the simple to the more complex, from the routine production to the search for sophisticated solutions, from the discipline as the main framework to the freedom of creation and innovation.

We can see two types of HRM approach (Hamid 2013). The strategy of prospector has; a) limited internal carrier opportunities, the external recruitment is emphasized, b) no emphasize

on internal training, c) result based evaluation, and d) low job security. While the strategy of defendant has; a) good options for internal carrier, b) regular internal training, c) the assessment is based on individual skills and performance, and d) good job security. Companies following defendant or prospector strategy they can be very different. The elements of contemporary HRM can be considered as a big puzzle. One can create high variety of strategies they differ in some elements of the mix. The mix consists of growing number of elements as HRM invokes sciences like psychology, sociology, etc. that can help build up effective HRM strategies and successful contribution to the corporate strategy. It's worth to refer to cultural anthropology that can be highly determinative in business culture, business attitude which is definitely appearing in HRM as well. The following types set up by Hofstede (1997) are based on selection from western type society but can be of course enlarged with the examples from the developing world (Table 1).

Table 1: Cultural Dimensions (Formal / Informal) with the Examples from the Developing World

Trompenaars Cultural Dimensions		Formal/Informal – Centralized/ Decentralized	
decentralized informal, based on equality, performance- and person-oriented, achievement-oriented	Sweden	decentralized, formal, equality-based, task/objectives-oriented, performance-oriented	USA, Canada, Great Britain
informal, centralized, hierarchical, personal contact oriented, power-oriented, highly contextual, informal, diffuse	France, Spain, Japan, Hungary	formal, centralized, task-oriented, role-oriented, structure, organogram is important, power distributed by hierarchy and position	Denmark, Germany, Netherlands

Source: Hofstede (1997).

Covin and Slevin (1991) developed a conceptual model of entrepreneurial behaviour at the organizations level and they postulated that all manner of organizations can be considered as entrepreneurial behaviour.

3. Challenges for HRM

Future challenges for HRM coincide with social challenges. For example, workplace democracy and democratic management methods will become more important in the future? How much will dominate in the world the consumer way of life model? In the clash of different cultures/civilizations will be the winner of the Western side? How the Western methods will handle the rich-poor gap, or would it, keep the current level of exploitation? Will HRM be the subject of the struggle between civilizations? And if so, what kind of prospect we can predict? Following the automation fewer and fewer workers will be needed. How to deal with the ensuing tension? How to minimize the negative impact of the brain drain issue in the poor countries? We just tried to raise some questions which are today not so much emphasized in the current HRM literature but they will strongly appear in the future. The gender or race conflict has always been a key issue in the USA. The unequal position of women in the labour market in most countries remained until now. The position of women in the labour market can be considered more disadvantaged in comparison to men's position because absences arise from childbirth and child rearing. According to Thomas (1992), dimensions of workplace diversity include, but are not limited

to the age, ethnicity, ancestry, gender, physical abilities/qualities, race, sexual orientation, educational background, geographic location, income, marital status, military experience, religious beliefs, parental status, and work experience. Except some Scandinavian countries the earning of women is usually 20-30-40% less than men working in the same position.

4. Conclusion

Since the 90s, western corporates are facing increasing globalization, rapid changes of technology, emerging competitors mostly in Asia, high pressure on prices. In such an environment, it is important to improve competitiveness through all available means. HRM is also a strategic and comprehensive approach to managing people and the workplace culture and environment. Effective HRM enables employees to contribute effectively and productively to the overall company direction and the accomplishment of the organization's goals and objectives.

In the current global work environment, the companies try to reduce the fluctuation of employees and to keep knowledge held by employees. Therefore, it is now a specific activity to lure over talented workers to other company. However, the companies are also trying to block such a move getting their workers committed not working in the same sector in case of workplace change for a specific time. Hiring new employees is raising the cost and reducing the effectiveness for a while, therefore HRM tries to give benefits for the worker and keeping the employees at the company. Expert with specific knowledge especially in the new industries have a good basis for negotiations about payments and benefits. In these sectors, employee's position is strengthened by high possibility of mobility and flexibility as a result of new technologies. Especially in these new industries, corporations consider employees as assets and instead of HR or HRM the terminology of talent or manpower management or organizational management is used frequently.

Finally, in case of developing world, even if the leadership of a developing country is dedicated to achieving an effective public system, it takes many efforts from politicians and experts, and without effective public services, there are limited chances to have successful business environment.

References

1. Covin, J.G., & Slevin, D.P. (1991): A conceptual model of entrepreneurship as firm behavior, *Entrepreneurship Theory and Practice*, 16(1), p. 7-25.
2. Hamid, J. (2013): Strategic human resource management and performance: the universalistic approach, *Journal of Business Studies Quarterly*, 5(2), p. 184-201.
3. Hofstede, G. (1997): *Cultures and Organizations: Software of the Mind*, New York: McGraw-Hill, USA, 279 pages.
4. Mureithi, L., & Wasikama, C. (2000): Human resources in Africa: Strategic factor in claiming Africa's future. [http://unpani.un.org/intradoc/group/public/document,\(accessed2000\)](http://unpani.un.org/intradoc/group/public/document,(accessed2000))
5. Schuler, R.S. (2000): The internalization of human resource management, *Journal of International Management*, 6 (3) P 239 – 260.
6. Ulrich, D. (1997): *Human Resource Champions*, Harvard Business School Press. Boston, MA.
7. Thomas, R. R., Jr. (1992). *Managing diversity: A conceptual framework*. In S. E. Jackson & Associates (Eds.), *Diversity in the workplace* (pp. 306-317). New York: Guilford Press.

CAREER MANAGEMENT IN DISPOSITIONAL GROUPS

Magdalena BSOUL, Anna KARCZEWSKA

Częstochowa University of Technology Faculty of Management, Częstochowa, Poland

E-mail: m.bsoul@vp.pl

Summary: Professional development represents an essential problem for institutions and a big challenge for employees. Careers paths are plans of employee's development in the institutions that employ them. Career cannot be regarded as achievement of high professional position although it is often considered as such. In the case of dispositional groups, vertical mobility consists in the transfer of employees in the area of workplaces at the same management level. Furthermore, mobility in the horizontal direction involves moving employees to both lower levels of the organizational structure i.e. (relegation) and to higher levels (promotion).

Keywords: dispositional groups, human resource management, promotion

1. Introduction

The development of the employees is a very significant issue for institutions as well as big challenge for the employees. In every type of work people use knowledge which is created in the initial stage of at schools of different types and levels. This knowledge is later a basis for future development in organizations where people take up employment.

The term “a career” is assumed in sociology as the aggregation of professional roles played by the individual in different stages of his/her life. We can say, a career means the advancement, stability, and also degradation.

The concept of career has derived from Latin *carrera*, which means – a race, a run or a road. In sociology, a career is a term which pertain to the sphere of the objective social facts – to the change of the social positions of the individuals, in general, from a lower position to the higher one.

2. Career in dispositional groups

Janusz Sztumski indicates that “the concept of career is referred to the vertical mobility” (J. Sztumski, 1997, p. 87) , and it means “the process of rising in the social hierarchy, for example due to achieving the higher position in varied spheres of social life” (J. Sztumski, 1997, p.87).

Also according to Bauman a career is a term referring to a certain sphere of objective social facts concerning change of social position of an individual, usually from a lower to a higher one. (J. Maciejewski, 2014, p.74).

Thus, the career is described as the sequence of the following activities executing within the scope of professional activity. The term defines the mobility of individual and indicates to his or her social advancement (J. Maciejewski, 2014, p.74).

In case of dispositional groups, the horizontal moves are based on passing of the employees from one position to another, which are at the same level of hierarchy. On the other hand, the vertical movement involves transfer of an employee both to the lower level of organizational structure, what is a degradation, and to the higher level related to the advancement.

The set of the above-named moves of employees – primarily the horizontal transfers and the advancement – create so-called career path of the employee, that is the way the employee from the first appointment through the other posts, numerous roles and duties, up to the expected top position, which is a goal of employee's career.

Nominations of the particular members to the given official posts, transfers and dismissals in the dispositional groups belong to the capacity of the superiors. On the other hand, the nomination, appointment, transfer or dismissal of a soldier or an officer occurs in the form of the act of personal appointment to the position, and as such is an administrative decision, so it is based on general rules of the Code of Administrative Proceedings. Furthermore, the nomination or appointment of particular person to the official posts depends on the level of education achieved, for example the secondary or higher education diploma, and on acquiring special professional qualifications based on a professional training, a specialist course or higher vocational studies, as well as the practical experience which is the time spent in the particular dispositional group.

Nowadays, in the days of great social mobility, the professional possibilities can be enriched by the experience of professional work not only from Poland, but also from different European countries. It also relates to the persons belonging to the professional uniformed services.

In the current market economy, in which the great importance is attached to the professionalism and in which it also appears the conviction about the great significance of professional success, we can see the tendency to taking actions aimed at the development of professional qualifications. It obviously affects the professional career. There are a lot of attempts to show the conditionings of professional career.

With respect to the above we should consider as very relevant the remarks of S. Ossowski that “the hierarchy of the social roles occur in the places where the entire system of positions is institutionalized, the way of transferring from one position to other is established, and privileges and responsibilities connected with every social role are clearly specified” (S. Ossowski, 1986, p. 22) . In the other words: career means the realization of professional path by achieving higher and higher position.

The career can be also perceived in a moral or ideological dimension. The moral dimension manifests itself in the subjective opinion on people consciously aiming at achieving the success, who are called careerist. In the ideological dimension it is represented by life and professional success, which is sought in sociopolitical conditionings supporting the career.

3. Planning of development of an employee in dispositional groups

The career is also supported by the human resources policy conducted by the management. It involves a variety of activities undertaken by the management, aimed at e.g. the preparation of selected employees presenting outstanding results or abilities to move to more responsible positions. The process of employee career proceeds from the moment of hiring to the company until the leaving from the organization and, therefore, it can take up to several decades, and its effects have a significant impact on the quality of work (Suchodolski, 2004).

Planning of employee development is an integral part of personnel planning in particular dispositional groups. It also plays an important role in management. On the one hand, it may facilitate the development of the employee through getting benefits by the organization and on the other hand, the employee himself has got a possibility of getting satisfaction from performing work.

By the professional development one can understand the activities aiming at preparing them during the time of the employment in an organization to performing work and occupying the post of higher responsibility.

In the context of personnel management the dynamics and direction of development are determined on the one hand by the aims of an organization and on the other hand by the needs and aspirations of the employees. Therefore in order to increase the effectiveness of activities oriented on the professional development of the employees in an organization this process has to be individualized and include the employees engagement.

The aims related to the Professional development of personnel may be reached in two ways:

- one way leads through concentration on the individual development of particular employees of an organization,
- second way involves implementing the systematic program of the development of the whole social potential of an organization.

From the start of employment of an employee in an organization the process of his professional development starts and it finishes with his leaving of an organization. This process can last tens of years and its results definitely impinge on the quality of performed tasks. Thus, the organizations noticing the importance of this element of personnel function try to manage it intentionally and shape it for the realization of strategic goals.

Career management includes the following processes:

- defining the career paths in an organization – setting the sequence of posts including the requirements of their occupying wherein the requirements should concern the skills, knowledge and practical experience gained on the following posts;
- anticipation of career – monitoring of the free job posts resulting from the planned and unplanned leaving from work, creating new posts and choosing the candidates to hold the posts;
- career planning – matching the development possibilities of employees to the future needs of an organization, providing all necessary information to the employees concerning possibilities of professional career;
- career advising – providing assistance of proper people from the personnel department concerning the choice of career paths, career planning or advising. It is often provided during one-day workshops of professional career;
- help in professional development – training of the personnel, surcharges to the higher education; granting a leave for studying, personnel movement inside an organization. (A. Szalkowski, 2002. p.86).

Professional development of an employee in practice often is presented by the career development plan. It shows at what time the employee is likely to meet the different positions in the process of his career, of course, when provided certain requirements related to professional development. There are several requirements taking into consideration during creation of the career development plan. They can be divided into three issues:

- description of the type and level of qualification desired;
- description of necessary work experience of the employee;
- requirements related to the results achieved by the employee in the implementation of his previous tasks.

In our time, people want to fully independently create their own future. This also applies to their careers. Undoubtedly, the conscious and deliberate creation of one's career is related mainly to the interests of an employee. It is not surprising that the employees are trying to choose the best to his or her path. They strive to achieve self-fulfillment and job satisfaction for everyone looking for attractive positions and roles in different social structures.

To achieve these objectives, it is necessary to have adequate moral and social skills. And furthermore:

1. constantly striving to deepen their knowledge and skills and
2. maintain pro-social relationships and contacts (M. Rybak, 1998. p. 153).

Effective career management of the personnel is a subject of accurate diagnosis of qualification of the potential of individual employees. Based on the results of evaluations one can also carry out activities related to the improvement of human resources and the use of appropriate promotion policy. Wise procedure for evaluating of employees also affects the degree of integration of the group. Thus, evaluation of employees is one of the main element of the process of development in the social structure (T. Listwan, 1999, p. 144).

The starting point for the proper planning of employee's development is to understand his or her aspirations, ambitions, achievements, strengths and weaknesses, and then confront them with the person's professional preparation, skills and knowledge. Only on this basis one can predict the further development of the employee.

This forecast is based on the assignation of the "path" of the promotion/career, in other words, on the planning of the order of achievement of various positions and setting the necessary requirements. This applies to the types of the work, the needs for training, acquiring new skills and length of service in a given position.

Setting the requirements in relation to the employee is important, because any change of the position should be the result of fulfilment of the pre-established conditions. More transparent and clear they are, the greater role in motivation they have.

Planning of the development of an employee brings the following benefits:

- satisfies the needs of employees' development;
- enables to increase the use of talents;
- leads to the increase of the loyalty of the employees;
- motivates the employees;
- satisfies the needs of a dispositional group for a properly qualified personnel. (Maciejewski, 2014, pp. 74 -78).

Planning of the employee's development is also based on the commitment of himself / herself in the process. People who wish to achieve a specified position in the institution should define his or her own strategy, which is a vision of co-creation of the career, the objectives they aim, and the ways how to achieve them.

An important role in planning of the human development is played by the motive, which is a conscious stimulus, inducing the given person to a specific behaviour. It is assumed that they are hypothetical states within the human mind to activate person's behaviour to reach a particular purpose.

According to the Edgar Schein one can distinguish the following universal motives:

- professionalism;
- management/leadership;
- autonomy and independence;
- safety and stability;
- creativity and entrepreneurship;
- idealism – sense, truth, sacrifice for the others;
- ambitious challenges and
- lifestyle (J. Maciejewski, 2014, p.77).

Every organisation has its own specific profile and style of operations, what affects the internal matters in stronger way that formal dispositions and persons of authority. That is the organizational culture which represents not only one of conditions to survive, but first of all the further development of the organisation. It is a basic factor affecting effectiveness of its activities. The organisational culture is being created mostly by people performing their duties, but also by their feelings, expectations, values and believes.

4. Conclusion

While making decisions concerning career development people usually take into consideration the factors such as: safety of employment, subordination, predictability and permanence of interpersonal relations. The situation is similar in the dispositional groups. The consequences of this approach cause that the individuals employed are not interested in the mobility, taking up the challenges if it means changing the workplace. They prefer staying longer in the same military rank (not necessarily on the same post) than advance on higher post in another (often distant) location. This phenomena is the stronger the bigger city an individual perform the military service. Another issue to which attention should be drawn is the problem of responsibility. The professional advance and taking up the managerial posts are connected with bigger responsibility and higher level of stress.

What is also important, human resources management of dispositional groups, and the current HR policy, are incredibly determined by the cultural factors. Because for the many, the belonging to the service itself, is considered as the career of a special sort, even more importantly, as it is limited to quite narrow number of citizens, who have become the professional cadre of the elite military troops, in the result of tough recruitment procedure. So the above mentioned cultural factors, will affect their career, as the career paths are connected not only with consecutive positions, but also with their ranks.

References

1. Listwa T., (1999), Zarządzanie kadrami. Podstawy teoretyczne i ćwiczenia. Akademia Ekonomiczna. Wrocław, p. 144.
2. Listwa T., (2004), Zarządzanie kadrami. Wydawnictwo C.H. Beck. Warszawa, p. 141.
3. Maciejewski J., (2014), Grupy dyspozycyjne. Analiza socjologiczna. Wydanie II rozszerzone, Uniwersytet Wrocławski, Wrocław, p. 74.
4. Ossowski S., (1986) , O strukturze społecznej, Warszawa, p. 22.
5. Rybak M., (1998), Kariery bez granic – nowe spojrzenie na karierę zawodową. SGH Warszawa, p. 153.
6. Suchodolski A.,(2004), Rozwój pracowników, w: Zarządzanie kadrami, pod red. T. Listwan, C.H.BECK, Warszawa, p. 152.
7. Szalkowski A., (2002), Rozwój pracowników, przesłanki, cele, instrumenty. POLTEXT, Warszawa.
8. Sztumski J., (1997), Elity, ich miejsce i rola w społeczeństwie, Katowice, p. 87.

LEADERSHIP AND VALUE WORK

János FEHÉR

Károli Gáspár University of Reformed Church in Hungary, Budapest, Hungary

E-mail: feherdr@t-online.hu

Summary: Leadership literature offers a wide array of possible definitions for describing its subject. While *influence* had been historically—and still has remained—key in interpreting the phenomenon of Leadership, for the past decades other issues, including the leaders' approach to and working through values have gained central importance in the conceptualization of the topic. The aim of this paper is to highlight and illustrate the leader's *value work* (i. a. a process of identifying, generating, developing, and fostering positive and shared values directed/catalyzed by the leader) as a component of emerging Leadership concepts. It will be addressed how the issue of the leaders' activities toward and around values has become important historically during the evolution of Leadership thought. The paper quotes certain other aspects related to the leaders' concerns of values, as well, and offers some thoughts on the perspectives of the role of the topic of value work within the area of Leadership.

Keywords: Leadership, influence, transformational, value work

Leadership literature offers a wide array of possible definitions for describing its subject. One of the classical definitions sounds: Leadership is „the process of influencing the activities of an organized group in its efforts towards goal-setting and goal-achievement” (Stogdill, 1950) An interpretation by Kouzes, Posner from the late 20th century is about Leadership as „the art of mobilizing others to want to struggle for shared aspirations”. (1995)

While, as the introductory definitions suggest it, *influence* had been historically—and still has remained—key in interpreting the phenomenon of Leadership, for the past decades other issues, including the leaders' approach to and working through values have gained central importance in the conceptualization of the subject. My aim is to highlight and illustrate the leader's *value work* (i. a. a process of identifying, generating, developing, and fostering positive and shared values directed/catalyzed by the leader) as a component of emerging Leadership concepts. First I would like to address how the issue of the leaders' activities toward and around values has become important historically during the evolution of Leadership thought. Then I would like to quote certain approaches of and offer some thoughts on the perspectives of the role of the topic of value work within the area of Leadership. My observations and suggestions are related mainly to some of the mainstream Leadership, and within that, specifically, to Leadership History sources.

As regards the historical evolution of Leadership, among the most cited theories are the Trait, Behavioral and Contingency approaches (e. g. Humphrey, 2014; Nahavandi, 2014; Zehndorfer, 2014; Gill, 2011; Buchanan, Huczynski 2013; Yukl, 2010; Lussier, Achua, 2007; DuBrin, 2004; Northouse, 2001)

Following, as an example, Buchanan's and Huczynski's interpretation they describe Trait Spotting as characterized by a search for personality markers (personality traits and other related attributes) of the effective leader in order to facilitate the selection of leaders. The authors (2013, pp. 655-672) offer comparisons of comprehensive trait lists, i. a. Stogdill' (a revision of hundreds of studies) and Stewart's (based on a survey of American executives). By analyzing them they state „there was limited value in trying to identify leadership traits, although some weak generalization did emerge”, insofar leaders *tend* to score, for example,

higher on average on measures of Intelligence, Relevant knowledge, Verbal facility, Participation, Cooperativeness, Popularity, Initiative, Persistence. (Buchanan, Huczynski, 2013, p. 656-657)

Behaviorally Based Theories show a „switch in attention: from selecting the right leaders on personality traits to training and developing them in appropriate behavior patterns”. (Buchanan, Huczynski, 2013, p. 663). The main style categories were identified by Behaviorally-based theories as: Considerate, Participative, Democratic, and Involving vs. Impersonal, Autocratic, Directive. An important insight was that ‘Consideration’/‘concern for people’ and ‘Initiating Structure’/‘concern for production’ were independent behavior patterns, and leaders could

From the insight that no one style of Leadership would be universally best came the Contingency approach suggesting that the best style is contingent on the situation. Contingency concepts include i. a. Situational leadership, Situational Decision Making, and Emotional Intelligence style application theories.

A consensus can be found between different authors that the main concern of the three mentioned historical Leadership Approaches was about influencing followers’ behavior on individual and group level. The approaches had less to say on how to catalyze and implement change in organizations, and to show how significant the Leadership effects would be on organizational level. Also some specific – e. g. emotional, symbolic – methods to influence followers were relatively neglected.

Simultaneously with the growing understanding about organizational culture, in the era of the so called “New-Leadership” the *work on and through values*, as a leverage and component of Leadership has increased in importance.

Figure 1 : Leadership challenges of the twenty-first century

Leadership challenges of the twenty-first century (adapted from Bennis, Nanus)	
From	To
● Goal setting	● Vision, new directions
● Downsizing/benchmarking/quality	● Creating distinctive competencies
● Reacting, adapting to change	● Pro-acting, anticipating change
● Designing hierarchical organizations	● Designing flat, collegial organizations
● Information held by few decision makers	● Information shared with many

Source: Bennis, Nanus, 1985

By the late twentieth century we find in the literature the recognition of the role of informal Leadership, at all levels, and the use of additional, i. a. heroic, powerful, charismatic, visionary *and* empowering, developmental – best generalized as *transformational* – style-elements.

As one of the above elements, the concept of Charisma comes from Weber (1987, p. 249). His concept already forecasts the growing importance of values in leadership. House’s theory of Charisma underlines strong values (as components of the specific personality characteristics) and trust in leader’s ideology (as one of charismatic effects on followers). (House, 1976, pp. 189-207)

New/transformational Leadership is a complex approach to leadership merging soft tools with specific power elements for handling change situations. It can be characterized by the growing importance of leader's values and complexity of leadership tools, and behaviors. To the soft tools—beyond Charisma—belong i. a. symbolic effects, and working on shared values and visions. In Northouse's wordings: „Transformational Leadership (TL) encompasses multiple theoretical and pragmatic approaches with various scopes of analysis”. (2001, 131)

The contrast between Transactional and Transformational leadership clearly highlights the growing value orientation in Leadership.

Figure 2 : Transactional and transformational leadership

Transactional and transformational leadership	
Transactional leadership focuses on the exchanges that occur between leaders and followers	Transformational leadership refers to the process whereby an individual engages with others and creates a connection that raises the level of motivation and morality in both the leader and the follower

Source: Northouse, 2001, p. 132

In an attempt to synthesize the definitions of several authors it can be suggested that Transformational Leadership puts leaders' own development, values, shared goals, mutually agreed performance criteria, special emotional-symbolic-charismatic effects, and empowerment into the focus of the influence process. It aims at the development of followers, as well as the raising of their level of aspiration and commitment, in order to bring about necessary change in the organization. (Fehér, 2009; 2010a; 2010b)

In a CEE context it can be noted that after 1990 a special transformational challenge to leaders has been the handling and change of the cultural characteristics of organizations of the so-called “Transformational Economies”. (About the Hungarian experiences see e. g. Fehér, Bonifert, 1998)

As to the overall, global level developments, it can be stated that besides direct business and intra-organizational issues leaders have been confronted with those of the external societal, natural and other environmental segments. One of them is the CSR imperative. Corporate Social Responsibility, in one of its interpretations is „the comprehensive approach organizations take to meet or exceed the expectations of stakeholders beyond such measures as revenue, profit and legal obligations. It covers commonly investment, human rights and employee relations, environmental practices and ethical conduct.” (Cable, 2005, 11, in: Mullins, 2007, p. 542)

Another cause for value orientation in Leadership is the Creating Shared Value paradigm. As Porter and Kramer put it: „The purpose of the corporation must be redefined as creating shared value, not just profit per se. This will drive the next wave of innovation and productivity growth in the global economy. It will also reshape capitalism and its relationship to society. Perhaps most important of all, learning how to create shared value is our best chance to legitimize business again. ... The concept of shared value recognizes that:

- societal needs, not just conventional economic needs, define markets

- social harms or weaknesses frequently create internal costs for firms—such as wasted energy or raw materials, costly accidents, and the need for remedial training to compensate for inadequacies in education
- addressing societal harms and constraints does not necessarily raise costs for firms, because they can innovate through using new technologies, operating methods, and management approaches...” (Porter, Kramer, 2011)

Figure 3 : Characteristics of the twenty-first century leadership

Characteristics of the twenty-first century leadership (adapted from Bennis, Nanus)	
From	To
<ul style="list-style-type: none"> • Few top leaders, many managers • Direct and supervise • Leader as boss, controlling • Leader as stabilizer, balancing conflicts • Leader develops good managers 	<ul style="list-style-type: none"> • Leaders at every level, few managers • Empower, inspire, facilitate • Leader as coach, creating learning organization • Leader as change agent, balancing risks • Leader develops future leaders

Source: Bennis, Nanus, 1985

The aforementioned developments have increased the importance of identifying managers and, possibly, also other members of organizations as leaders, and simultaneously have further contributed to getting out Leadership from the ‘Management Box’. The latter tendencies are mirrored back by the changing contents of the newer definitions of Leadership. As an example, the authors of one source quoted in the introduction, Kouzes and Posner have broadened up their perspective on Leadership as ‘mobilizing others...’ by adopting the definition of Alan Keith, Genentech saying: “Leadership is ultimately about creating a way for people to contribute to making something extraordinary to happen”. (Kouzes, Posner, 2007, 3)

As of today’s Leadership approaches, “the essence of Leadership is influence”, argues Rumsey. (2013. p. 1) Birnbaum (2013, p. 256) defines Leadership as “interaction that influences others through non-coercive means”. But besides the influence focus much is told also about the content of the Leadership impact.

Just to quote some of the leading authors in the field, for example, Yukl (2010, p. 26) in his broad definition states that “Leadership is the process of influencing others to understand and agree about what needs to be done and how to do it, and the process of facilitating individual and collective efforts to accomplish shared objectives”. House and Aditya (1997, pp. 444-445) distinguish between supervisory and strategic leadership in a way saying that while Supervisory Leadership behavior is “...intended to provide guidance, support and corrective feedback for the day-to-day activities”, Strategic Leadership “is directed toward giving purpose, meaning, and guidance to organizations”. Gill (2011, p. 9) offers the following definition: “Leadership is showing the way and helping or inducing others to pursue it. This entails envisioning a desirable future, promoting a clear purpose or mission, supportive values and intelligent strategies, and empowering and engaging all those concerned”.

In his review of Leadership definitions Humphrey makes a distinction between two perspectives, saying that “According to a **power perspective definition of leadership**, leaders command, control, direct, and influence followers to achieve group, organizational, or

societal goals”. While, “from the *leaders as representatives’ perspective*, leaders are those who (1) best represent the values of their followers and (2) are better at solving their followers’ problems and achieving their goals”. (2014, pp. 6-7)

Through these conceptual examples I have tried to illustrate how concern about values has become part of the definition of Leadership. Much is known from Leadership and organizational Strategy literature and organizational practice about using values in the course of leadership activities and strategy development process. But in the practice often we can see a high difference in the quality of these varying approaches. Under a narrow view clarifying values is one of the ways of influencing people to basically follow the already–partly or wholly–set goals and directions. In contrast there is a broader Leadership and Strategy concept suggesting that working on and by values is / can or should be made more systematically a prerequisite to goal setting and identifying directions; and that value work becomes increasingly a component of the definition of Leadership.

Value work itself can move on a wide scale between focusing on strictly instrumental business values on one extreme and broader and deeper social and terminal ones (see CSR, CSV and Business Ethics legacy) on the other. Leaders’ concerns about values are instrumental in making the Leadership role more tangible: the leaders’ value aspirations and value work can be helpful in a better understanding of the differences between the Managerial and Leader roles. Besides these conceptual interests my future aim in this research is to show relevant Hungarian data in comparison to international data to illustrate some of the Leadership practices in relation to both influencing others in a conventional sense and helping common understanding, giving purpose, showing the way through shared values.

References

1. Bennis, Warren, Nanus, Burt (1985): *Leaders: The Strategies for Taking Charge*. HarperCollins, New York, 1985.
2. Birnbaum, Robert (2013): Genes, Memes, and the Evolution of Human Leadership. In: Rumsey, M. G. (editor) (2013): *The Oxford Handbook of Leadership*. Oxford University Press, Oxford, New York, etc. pp. 243-266
3. Buchanan, Andrzej A., Huczynski, David A. (2013): *Organizational Behaviour*. Pearson, Edinburgh Gate, Harlow
4. Cable, V. (2005): Hard-nosed case for CSR. *Professional Manager* 14 (May, 3)
5. DuBrin, Andrew, J. (2004): *Leadership. Research Findings, Practice, and Skills*. Houghton Mifflin Company, New York, Boston
6. Fehér, János (2009): The evolution of the concept of and selected aspects of employee development in transformational leadership; *Bulletin of Szent István University* 2009: 276-288
7. Fehér, János (2010a): Contemporary Leadership Theories, I. Part. The Role and Characteristics of Transformational Leadership (In Hungarian: Kortárs személyes vezetési elméletek, I. rész. A transzformatív felfogás szerepe és jellemzői); *Vezetéstudomány* 41 (3): 2-13
8. Fehér, János (2010b): Contemporary Leadership Theories, II. Part. The Role and Characteristics of Transformational Leadership (In Hungarian: Kortárs személyes vezetési elméletek, II. rész. A transzformatív felfogás szerepe és jellemzői); *Vezetéstudomány* 41 (4): 13-20

9. Fehér, János, Bonifert Szigeti, Martha (1998): The Application of Change Management Methods at Business Organizations Operating in Hungary: Challenges in the Business and Cultural Environment and First Practical Experiences. The William Davidson Institute at the University of Michigan Business School. *The Davidson Institute Working Paper Series*, Working Paper Number 198, January 1998
10. Gill, Roger (2011): *Theory and Practice of Leadership*. Sage Publications Ltd, London
11. House, R. J. (1976): A 1976 Theory of Charismatic Leadership. In: Hunt, J. G., Larson, L. L. (eds.) (1976): *Leadership: The Cutting Edge*. Southern Illinois University Press, Carbondale, pp. 189-207
12. House, R. J., Aditya, R. M. (1997): The social scientific study of leadership: Quo Vadis? *Journal of Management* 23, pp. 409-473
13. Humphrey, Ronald H. (2014): *Effective Leadership. Theory, Cases and Applications*. Sage, Los Angeles etc.
14. Hunt, J. G., Larson, L. L. (eds.) (1976): *Leadership: The Cutting Edge*. Southern Illinois University Press, Carbondale
15. Kouzes, J. M., Posner, Barry Z. (1995): *The Leadership Challenge. How to Keep Getting Extraordinary Things Done in Organizations*. Jossey-Bass Publishers, San Francisco
16. Kouzes, J. M., Posner, Barry Z. (2007): *The Leadership Challenge*. Jossey-Bass, John Wiley & Sons, San Francisco
17. Lussier, Robert N., Achua, Christopher F. (2007): *Effective Leadership*. Thomson, South-Western, Mason, Ohio
18. Mullins, L. J. (2007): *Management and Organisational Behaviour*. Harlow (Essex, England): Pearson Education
19. Nahavandi, Afsaneh (2014): *The Art and Science of Leadership*. Pearson, Edinburgh Gate, Harlow, Essex
20. Northouse, Peter G. (2001): *Leadership. Theory and Practice*. Sage Publications, Inc. Thousand Oaks, London, New Delhi
21. M. Porter, M. Kramer (2011): *Creating Shared Value*, *HBR The Magazine* 2011, January_February, www.hbr.org, Apr 23, 2012
22. Rumsey, M. G. (editor) (2013): *The Oxford Handbook of Leadership*. Oxford University Press, Oxford, New York, etc.
23. Rumsey, M. G. (2013): Introduction: Leadership in five parts. In: Rumsey, M. G. (editor) (2013): *The Oxford Handbook of Leadership*. Oxford University Press, Oxford, New York, etc. pp. 1-10
24. Stogdill, R. M. (1950): Leadership, membership and organization. *Psychological Bulletin*, 47 (1), pp. 1-14
25. Weber, Max (1987): *Állam – Politika – Tudomány. tanulmányok*, KJK, Budapest
26. Yukl, Gary (2010): *Leadership in Organizations*. Pearson Education, Inc., Upper Saddle River, New Jersey
27. Zehndorfer, Elesa (2014): *Leadership. A Critical Introduction*. Routledge, London, New York

RELATIONSHIP BETWEEN ORGANISATIONAL JUSTICE AND ORGANISATIONAL CITIZENSHIP BEHAVIOUR: EXAMINING THE MEDIATING ROLE OF JOB SATISFACTION

Lai Wan HOOI

Nottingham University Business School, The University of Nottingham Malaysia Campus, Malaysia

E-mail: Carol.Hooi@nottingham.edu.my

Summary: The relationship between organisational justice perceptions, job satisfaction, and OCB from the responses of 267 employees in the manufacturing sector showed that interpersonal justice positively influenced all dimensions of OCB. Among the justice factors, informational justice had a greater influence on job satisfaction than distributive justice, procedural justice, or interpersonal justice. The effect of job satisfaction on OCB was most significant on civic virtue, followed by courtesy, altruism, conscientiousness, and sportsmanship. The mediation analysis showed that job satisfaction fully mediated the relationship between organisational justice and OCB. Therefore, job satisfaction is a stronger predictor of citizenship behaviours than justice perceptions.

Keywords: job satisfaction, manufacturing sector, organisational citizenship behaviour, organisational justice

1. Introduction

Globalization and the advancement of technology has triggered much interest among organisational researchers to study the discretionary behaviour of employees at the workplace. As baby boomers retire, the core workforce in most organisations are dominated by Generation X and Generation Y, who generally are less likely to remain in an organisation for their entire working life. Being more techno-savvy, these workforce have access to information that provides career advancement opportunities which increase the incidence of leaving. Therefore, research on organisational citizenship behaviour (OCB) has attracted much attention as discretionary and extra-role behaviours of organisational citizens are instrumental for employee retention, job performance (Greenberg 1988) and the survival of many organisations (Fassina, Jones, & Uggerslev 2008). To understand what enhances OCB, various predictors of OCB have been examined, and among the most robust attitudinal predictors of OCB are employees' perceptions of fairness and job satisfaction. As perceptions of fairness have been associated with job performance and OCB, and OCB with job satisfaction, facilitating organisational justice becomes crucial. In essence, employees are more likely to exhibit OCBs if they perceive that their organisations treated them fairly. But, do perceptions of organisational justice have similar relationships with OCB in a collectivist orientation culture like Malaysia?

In the Malaysian context, there is limited study on organisational justice and OCB, specifically with job satisfaction as a mediator. Furthermore, the limited literature available show that the findings of prior studies are rather ambiguous. Hassan and Mohd Noor (2008) assert that there is no significant relationship between organisational justice and extra-role behaviour in a high power distance and collectivistic society like Malaysia. On the contrary, Abdullah and Mohd Nasurdin (2008) contend that the relationship between organisational justice (distributive and procedural) and OCB is positive and significant. Othman et al. (2005)

establish that justice perceptions moderated the relationship between psychological contract violation and OCB. Despite being a high power distance country, where open expression of dissatisfaction is much constrained, interest in research on organisational justice in Malaysia has increased. Mohd Nasurdin and Soon (2011) examine the links between organisational justice (distributive justice and procedural justice) and job performance (task performance and contextual performance) while Hassan and Hashim (2011) explore the role of organisational justice in shaping teaching faculties' attitude (job satisfaction and commitment) and behavioural intention (turnover intention). However, limited studies in Malaysia have researched the relationship between organisational justice perceptions, job satisfaction and OCB in the manufacturing sector. Considering the job switching habits of the current Malaysian workforce, the question of how employee perceptions of organisational justice would be related to job satisfaction and OCB remains to be addressed. That question is the focus of this study.

The main objective of this study is to study the relationship between organisational justice and organisational citizenship behaviour; the relationship between organisational justice and job satisfaction; the relationship between job satisfaction and organisational citizenship behaviour; and the role of job satisfaction in the justice-citizenship relationship. Using stratified random sampling, survey questionnaires were administered to 10 full-time management staff of a sample of 100 manufacturing companies. Overall, 267 valid cases were used for the analysis. Items for all the constructs were measured using scales ranging from (1) strongly disagree to (5) strongly agree. Organisational justice was measured using 20 items taken from the scale developed by Colquitt (2001). Job satisfaction was measured using five items from a scale developed by Brayfield and Rothe's (1951). OCB was measured using 24 items developed by Podsakoff et al. (1990). Eight questions tapped the demographic data of the respondents as well as some characteristics of the organisations. After the removal of outliers, a factor analysis rotated with Varimax was conducted to examine the factor structure of the scales. Correlation analysis was then conducted to describe the strength and direction of the linear relationship between the variables. Confirmatory factor analysis was conducted to test for convergent and discriminant validity of the constructs. Then, the final model was assessed using structural equation modeling with the AMOS 18 program to analyse its validity.

2. Summary of findings on hypothesized relationships

2.1 Hypothesis 1: Organisational justice – organisational citizenship behaviour relationship

The hypothesis relating employee perceptions of organisational justice to the dimensions of OCB was partially supported. Distributive justice positively influenced civic virtue whilst informational justice had a significant positive effect on courtesy. Procedural justice positively influenced civic virtue, but had a negative effect on courtesy and sportsmanship. Employee perceptions of interpersonal justice, however, positively influenced all dimensions of OCB. Comparatively, interpersonal justice had a more significant effect on conscientiousness than on courtesy, altruism, civic virtue, or sportsmanship. The influence of interpersonal justice on civic virtue was stronger than the effect of procedural justice or distributive justice. Similarly, interpersonal justice was more significant on courtesy as compared to informational justice or procedural justice. Comparatively, interpersonal justice had a stronger influence on sportsmanship than procedural justice.

2.2 Hypothesis 2: Organisational justice – job satisfaction relationship

Employee perceptions of organisational justice positively influenced job satisfaction. All dimensions of organisational justice were significantly related to job satisfaction. Among the justice factors, informational justice had a greater influence on job satisfaction than distributive justice, procedural justice, or interpersonal justice. Therefore, the hypothesis that employee perceptions of organisational justice positively influence job satisfaction was supported.

2.3 Hypothesis 3: Job satisfaction-organisational citizenship behaviour relationship

Job satisfaction positively influenced all dimensions of OCB. Thus, the hypothesis that job satisfaction positively influence OCB was substantiated. The effect of job satisfaction on organisational citizenship behaviour was most significant on civic virtue, followed by courtesy, altruism, conscientiousness, and sportsmanship.

2.4 Hypothesis 4: The role of job satisfaction in the justice-citizenship relationship

The possibility that the relationship between organisational justice and OCB was mediated by job satisfaction was analysed using a two-step process. At Step 1, the significant relationships between the constructs were established. From the analysis of the correlations that were obtained after standardisation, the interconstruct correlations were significant for all the four constructs. Step 2 was to estimate the mediated model and assess the level of mediation. First, was to estimate the original model, which did not estimate the direct effect from organisational justice to OCB. Then, a revised model, with the added direct path between organisational justice and OCB was estimated. This was to assess if adding the direct effect would substantially change the model fit. The magnitude of the mediating effect was demonstrated by breaking down the total effects into direct and indirect effects. The results of the mediated relationship implied that job satisfaction fully mediated the relationship between organisational justice and OCB. In short, organisational justice had no direct effect on OCB, but was fully mediated by job satisfaction. Therefore, the hypothesis that job satisfaction mediates the relationship between organisational justice and OCB was supported.

3. Conclusion

This study presented an integrated analysis of the organisational justice-OCB relationship by including job satisfaction as a mediator to provide a wholesome perspective of the associations between organisational justice and OCB. The study has expounded on the importance of job satisfaction in the organisational justice-OCB relationship, and therefore, the correlation between these constructs must not be overlooked. Practitioners may have to focus on job satisfaction to enhance OCB. Increased job satisfaction together with effective training to improve managerial competence in decision making would likely increase OCBs which ultimately results in better performance. Therefore, organisations would have to improve organisational justice in tandem with job satisfaction to enhance OCB. Among justice factors, interactional justice is important in influencing OCB, in particular interpersonal justice. Concisely, the findings indicate that personal factors are imperative for advancing OCBs.

References

1. Abdullah, M.H. and Mohd. Nasurdin, A. (2008): Investigating the Influence of Organisational Justice on Hotel Employees' Organisational Citizenship Behaviour Intentions and Turnover Intentions, "*Journal of Human Resources in Hospitality and Tourism*", 7(1), p. 1-23.
2. Brayfield, A.H. and Rothe, H.F. (1951): An Index of Job Satisfaction, "*Journal of Applied Psychology*", 35(5), p. 307-311.
3. Colquitt, J.A. (2001): On the Dimensionality of Organisational Justice: A Construct Validation of a Measure, "*Journal of Applied Psychology*", 86(3), p. 386-400.
4. Fassina, N. E., Jones, D. A. and Uggerslev, K. L. (2008): Relationship Clean-Up Time: Using Meta Analysis and Path Analysis to Clarify Relationships Among Job Satisfaction, Perceived Fairness, and Citizenship Behaviours, "*Journal of Management*", 34(2), p. 161-188.
5. Greenberg, J. (1988): Cultivating an Image of Justice: Looking Fair on the Job, "*Academy of Management Executive*", 2(2), p. 155-157.
6. Hassan, A. and Hashim, J. (2011): Role of Organisational Justice in Determining Work Outcomes of National and Expatriate Academic Staff in Malaysia, "*International Journal of Commerce and Management*", 21(1), p. 82-93.
7. Hassan, A. and Mohd Noor, K. (2008): Organisational Justice and Extra-Role Behaviour: Examining the Relationship in the Malaysian Cultural Context. "*IJUM Journal of Economics and Management*", 16(2), p. 187-208.
8. Mohd. Nasurdin, A. and Soon, L. K. (2011): Organisational Justice, Age, and Performance Connection in Malaysia. "*International Journal of Commerce and Management*", 21(3), p. 273-290.
9. Othman, R.A., Rashida, H., Noor A. and Rosmah, M. (2005): Psychological Contract Violation and Organisational Citizenship Behaviour. "*Gaja Mada International Journal of Business*", 7, p. 325-349.
10. Podsakoff, P.M., MacKenzie, S.B., Moorman, R.H. and Fetter, R. (1990): Transformational Leader Behaviours and their Effects on Followers' Trust in Leader, Satisfaction, and Organisational Citizenship Behaviours, "*The Leadership Quarterly*", 1(2), p. 107-142.

**THE DARK SIDE OF ORGANIZATION – MANAGEMENT IN THE FACE OF
COUNTERPRODUCTIVE BEHAVIOR
(THEORETICAL BACKGROUND AND EMPIRICAL IMPLICATIONS)**

Leszek CICHOBŁAZIŃSKI

Częstochowa University of Technology, Częstochowa, Poland

lech@zim.pcz.pl

Summary: Problems related to counterproductive behaviour within organizations can be included in sciences on management and organization, namely in organizational behaviour. Human aspect of company functioning is difficult to overemphasize, as the regularities which steer human behaviour within a company must take into account the so called humanistic factor (the whole symbolic sphere where a man exists, a sphere which is an inherent element of organizational reality). This sphere influences the decision making process to a great extent. This process is an essence of management according to some authors.

The analysis will be based on the following definitions of dysfunctional behaviour within an organization. ‘Dysfunction and pathology which drive people are states of disappearance or not establishing social norms i.e. legal, ethical or professional ones. They refer both to individuals and broader structures. Individuals are the ones who transfer harmful behaviours (intentionally and non-intentionally). They may contribute to induction of unexpected behaviours. The actions which are referring to the praxeological terminology are counterproductive and make their organization unable to reach their goals.

The aim of this analysis is to create a theoretical model to explain the emergence of counterproductive actions within organizations which are existing in a turbulent environment. The second aim is to indicate management methods to prevent organizational pathologies. The pro-productive organization model will be approached from the perspective of strategic management. It is targeted mainly at achieving and maintaining competitive supremacy. The outcome of the analysis should show directions of empirical research and present a worth-testing hypothesis.

Keywords: strategic management, counterproductive behaviour, organizational misbehaviour, ethical leadership

1. Introduction

Attention will be focused on the problem of counter-productive and dysfunctional behaviour within an organization. This issue will be covered from the perspective of strategic changes in organizations which are forced to act within discontinuity environment changes. There is a common belief that the source of the largest turbulence within an organization comes from its own environment. Even violent internal changes within an organization i.e. owner change, conflict or crisis within organizational leadership – these are always under control of its members and can be mastered before disclosing their destructive power. (Hurta 2014) External changes are different. The organization has no control over external changes. It cannot be predicted when changes may occur nor the nature of these changes (Romanowska 2010, p. 10). Organizations should be able to introduce rapid responses to the signals coming from the environment. In the past such mechanisms were not a must. It is necessary now, in the extremely competitive and changing environment. Responding to such changes and making decisions in situations where it is difficult to estimate the risk trigger numerous

tensions. A man who acts in a constantly uncertain environment is looking for something certain, a niche to feel safe. If an organization does not prepare mechanisms to counteract such tensions, the counterproductive behaviour takes this place.

2. Counterproductive Behaviours - Theoretical Background

Problems are related to the counterproductive behaviour in an organization include the area of sciences on management and organization, called organizational behaviours. The human aspect of an organization is difficult to overestimate as the regularities which drive human behaviour in a company must include the so-called humanistic factor. It is primarily the entire symbolic sphere (where a man is immersed) which is an integral element of the organizational reality. This sphere substantially affects the decision-making process which is often understood as an essence of management.

Considering the nature of management, one may enumerate the following spheres: (Bhattacharyya 2009, pp. 5-6):

- productivity orientation - Frederick Winslow Taylor and John F. Mee were the pioneers of this approach. Increase of productivity is the main goal of management.
- human relations orientation - Attention is focused mainly on the interpersonal relations within an organization. Pioneers: Lawrence A. Appley and Harold Kootz.
- Decision-making orientation - the essence of management comes down to making decisions. Pioneers: Ross Moore and Stanley Vance.
- leadership orientation – leadership is the most important part of management. Pioneers: Donald J. Clough and Ralph C. Davis.
- process orientation – management is seen as a process. An organization is rather a process than a structure.

It should be emphasized that the problem of human relationships is not subject of management. Objectives are always outside an organization. However, it is assumed the relationships are one of the vital resources of an organization. They are a key to the effectiveness of the entire management process. Careful deliberate and purposeful shaping of relationships brings an organization closer to a success. Pathologies in this area are of dysfunctional type and move an organization away from its objectives. According to the functional paradigm, the question about the function of pathologies should be raised. In this paradigm every human action has a particular role. The distinction between function and dysfunction is relative. It means that calling any action functional or dysfunctional depends on whether it leads to the objective, to achieve the goal for which the company was established, or maybe it leads elsewhere - when to a goal which is contrary to the intended one. The understanding of functions and dysfunctions in management determines the role of a manager. „(...) manager's essential skill is a correct diagnosis of the company's condition, sources of difficulties and successes, future opportunities and risks of development, the strengths and weaknesses of the company.” (Kieżun 1997: 376) This analysis will be based on the following definitions of dysfunctional behaviour within an organization - „dysfunction and pathology of leadership are a state of decay or failure in establishing legal, ethical, professional norms, social norms in general. They apply to both individual people and wider structures, where individuals carry adverse effects both knowingly and unknowingly. They may induce a behaviour which is contrary to the expected one.” (Chmal 2007, p. 9) Referring to the praxeological terminology, a counterproductive behaviour does not allow an organization to achieve its goals. Witold Kieżun has a less complex definition of a pathology in an organization (the term of dysfunction and pathology will be used interchangeably in this paper): ‘Pathology of an organization is a relatively permanent disability which results in the waste that exceeds the limits of a social acceptance.’ (Kieżun 1997, p. 376) According to this

definition pathological decisions determine behaviour resulting in an excessive consumption of resources in achieving organizational goals. In extreme cases no goals are achieved. In order to assess the 'excessive resource consumption' properly, one should have a reference point allowing the comparison of two management processes. Both these processes require a similar amount of resources. The reference point is not required in case of a total ineffectiveness, meaning when the goal has not been achieved. Without a reference point, even a minor consumption of resources can be called a waste. Can we immediately call every single waste a pathology and an effect of a counterproductive behaviour? It seems not. It is difficult to talk about the wastefulness if resources are wasted due to managers' non-culpable lack of knowledge, or due to making decisions in high-risk conditions.

3. The concept of a healthy organization

The analysis of counterproductive behaviour concentrated mainly on the phenomenon of organizational pathologies. It is worth to note a more constructive approach, namely the concept of a „healthy organization”. Joseph Penc defined this term in the following way: ‘it seems that a healthy organization is an efficient organization in the praxeological sense. It is capable of removing all the difficulties that stand or may stand in the way of its development and harmonious relationship with the environment of its actions. This is an organization which is sensitive to innovation and change, it is able to generate and implement them, it competes as it has more values to offer to the customer. It is friendly to both employees and an environment.’ (Penc 2001, p. 12) The concept of organizational pathology is well known in the subject literature but the concept of a healthy organization is still uncommon. Ryszard Stocki use this term, he writes about ‘the anatomy of a healthy organization.’ (Stocki 2005) Medical analogies which increasingly emerge may focus the attention on the subject. Definition made by Penc is interesting, as it draws attention to the positive aspects of a „healthy organization” (inter alia, it is supposed to be able to the adaptive change), not limited to the absence of a pathology. Witold Kieżun writes about the ‘health of an organization’. This raises a further semantic problem: what is the health of the organization? We are revolving around the considerations of an organization. We have a number of both US and Polish considerations. The concept presented by W.G. Bennis (1966) and R. Likert (1967) are particularly developed. <According to W.G. Bennis a basic measure of organizational health is the ability to adapt to altering conditions and to changes in the environment. This ability is a function of the development of a <spirit of research>.’ (Kieżun 1997, p. 375) Witold Kieżun remains in the circle of adaptive changes, in other words, in the area of learning organizations. ‘Learning’ or a ‘smart’ organization are the same model - an ideal type of a healthy organization. Adaptation is learning how to organize, it one of the most important management functions in an organization. Dohasz, Fudaliński, Kosala and Smutek put it as follows: „Management should lead to the fact that the organization is capable of learning, in other words, adapt to changing environmental conditions.” (Dolhasz, Fudaliński, Kosala and Smutek 2009, p. 47) Trust is another important issue connected to the concept of a healthy organization but this subject needs a separate elaboration. (Robak 2013)

4. Dysfunctional behaviour and innovation

Relation between dysfunctional behaviour and innovations is another problem to be discussed. Sometimes it is difficult to distinguish, whether an action is innovative or dysfunctional. A theory of a social personality by Polish sociologist Florian Znaniecki (1934) may help to solve this problem. He enumerates various types of personalities, i.e. subnormal and overnormal deviants. The first ones contest the social order by not introducing anything

new. The latter ones, on the other hand, introduce number of orders. A new social order is an addend value for the overnormal deviants. To illustrate this concept the author of the text will present two examples. An artificial increase of value of the Enron company has no covering in company's economic result and it is an example of a subnormal deviance. On the other hand Steve Jobs leaving the company might have been the result of the lack of conditions to overnormal deviance. 10 years later, after his comeback, with a great benefit to the company he realized his revolutionary projects which were previously seen as a subnormal deviance. These examples show how difficult it is to estimate which behaviour is dysfunctional and which is innovative. It seems the boundary line between the two is very thin, but it is clear. Dysfunctional behaviour usually are characterized by the lack of recognition of the basic values: honesty, respecting truth and human dignity. They are often fuelled by the need of fast and unfounded profit, meaning greed. The results of this type of behaviour in a long term are destructive for an organization.

5. Conclusions

Both management and employees manifest counterproductive behaviours. Managers have a full authority so they are responsible for employees' counterproductive behaviour. From the functional perspective, this behaviour has an adaptive function to the pathological work conditions.

People management is in a blatant contradiction with a toxic leadership, based on a Roman principle 'devide et impera' (divide and rule). According to this principle, it is the best to rule the conflicted subordinates. This type of leadership treats people instrumentally only. Teamwork, which is so important in running contemporary business, is highly difficult in such conditions. Sometimes it is impossible to have a real team when people are conflicted with each other.

An emphasis of the excessive and unjustified competition increases destructive conflicts and fosters the emergence of one of the largest pathologies in contemporary organizations. An organizational stress is being a source of other pathologies.

References

1. Bhattacharyya D.K. (2009): *Organizational Behaviour. Concepts and Applications*, Oxford University Press, Oxford – New York.
2. Chmal Z. (2007): Pojęcie dysfunkcji i patologii w życiu społecznym, in: *Dysfunkcje i patologie w sferze zarządzania zasobami ludzkimi*, red. Z. Janowska, Wydawnictwo Uniwersytetu Łódzkiego, Łódź.
3. Dohasz M., Fudalinski J., Kosala M, Smutek H. (2009): *Podstawy zarządzania. Koncepcje – strategie – zastosowanie*, Wydawnictwo Naukowe PWN, Warszawa 2009.
4. Hurta H., (2014): Impact of the Crisis on Leader's Attitude, in: Illes A.B., Dunay A., Słocińska A., *New Trends in Management in the 21st Century*, Wydawnictwo Wydziału Zarządzania Politechniki Częstochowskiej, Częstochowa.
5. Kieżun W. (1997): *Sprawne zarządzanie organizacją. Zarys teorii i praktyki*, Szkoła Główna Handlowa, Warszawa.
6. Mitrus L. Godność jako podstawa aksjologiczna praw pracowniczych, https://prawo.amu.edu.pl/_data/assets/pdf_file/0010/175528/dr-hab.-Leszek-Mitrus.pdf (data dostępu 9.02.1015)
7. Oleksyn T. (1991): *Praca i płaca w zarządzaniu*, Międzynarodowa Szkoła Menedżerów, Warszawa 2001.

8. Penc J., (2001): Kreowanie zachowań w organizacji. Konflikty i stresy pracownicze, zmiany i rozwój organizacji, Agencja Wydawnicza Placet, Warszawa.
9. Robak E. (2013): The Importance of Organizational Trust Management for the Functioning of Enterprises, in: Illes C.B., Bylok F., Dunay A., Cichobłaziński L., People, Knowledge and Modern Organizations, Szent Istvan Kiadó Nonprofit K.ft., Godollo.
10. Romanowska M. (2010): Przełomy strategiczne w przedsiębiorstwie, Studia i Prace Kolegium Zarządzania i Finansów, „Zeszyt Naukowy 98, Szkoła Głównia Handlowa W Warszawie”, Warszawa, p. 10.
11. Romanowska M. (1995): Zarządzanie strategiczne firmą, Centrum Informacji Menedżera, Warszawa.
12. Stocki R. (2005): Patologie organizacyjne. Diagnoza i interwencja, Wydawnictwo Wolters Kluwer, Warszawa.
13. Turek D., Wojtczuk-Turek A., (2011): Kompetencyjne uwarunkowania nieetycznego zachowania pracowników, „Problemy Zarządzania”, vol. 9, 4 (34), p. 131.
14. Znaniński F. (1934) Ludzie terazniejsi a cywilizacja przyszłości, Książnica Atlas, Warszawa – Lwów.

THE ISSUE OF INTUITION IN MANAGEMENT - ESTABLISHED KNOWLEDGE AND PERSPECTIVE OF EVOLUTION

Waldemar JEDRZEJCZYK, Robert KUCEBA

Czestochowa University of Technology, Faculty of Management, Czestochowa, Poland

E-mail: waldekj@zim.pcz.pl

Summary: This work presents the issue of intuition as a mental ability and its usefulness in management. The presented contents were divided into two informal parts. The first part shows the theories which are commonly accepted in management sciences. It consists of those views which everyone agrees with, for example, that intuition actually exists; and the views which are not shared by everyone, for example, the question of usefulness of intuition in practice. This part also presents how intuition is understood by management of different enterprises. Some aspects were shown which should be taken into consideration in order to understand the issue of intuition in management completely. Typical behavior of the managers who justify the necessity to appeal to intuition in their managerial practice and conditions of management was considered to be the most important. The stereotypes in approaches to intuition were also determined. The most important conclusions of in-house research were presented. It follows from them that enterprises do not carry out systematic analyses directly connected with intuition. More than that, the problems were presented which make the use of intuition in the process of management difficult. Some important approaches which help increase the effectiveness of the use of intuition in organizational practice were mentioned. The key research questions, which have not been answered yet, were formulated.

Keywords: intuition, intuitive abilities, managerial competences, management

1. Introduction

An answer to the question about key factors which have an influence on the level of managerial effectiveness has not been found yet. However, in the 20th century there have been carried out a lot of experimental research in this direction. Common conclusions have not been reached neither by the suggested theories of managerial characteristics nor by the competence theories. An “exemplary model” of a set of characteristics has not been found, which in a particular case would differentiate efficient managers from inefficient ones. Alike in the case of the theory of attributes, it has not been possible to point out unambiguous managerial competences which would one hundred per cent determine a manager’s efficiency. The following factors which determine the efficiency in a managerial work are considered to be the most important: psychological characteristics, talents, knowledge and skills. Taking into account the fact that contemporary scholars who examine the factors of success at work of managerial personnel do not have a common opinion about which characteristics or competences have the strongest influence on the managerial efficiency; however, they mutually share one opinion that their influence in this respect cannot be neglected.

The most important aim of the present work is to present the issue of intuition as an intellectual competence – in the concept of management based on competences, which is more and more useful in managerial work. The main attention is focused on two basic aspects concerning intuition: 1) Presenting the issues which are commonly acceptable in management sciences – which make the so called normative knowledge, and 2) Presenting the problems

which make it difficult to use intuitional skills in managerial practice. These issues still concern some branch researchers and require further investigation.

2. Understanding of intuition – established theory

Intuition is still considered to be one of those properties of the human brain which has not been completely understood. It is one of the most secret notions connected with human capital analysis. Scientists mutually share the idea that intuition really exists. However, they do not agree in the question of its nature which explains what this ability is. There is no unanimity in the question of usefulness of intuition in practical activities. For this reason, scientific literature of the subject presents many definitions of intuition, there are differences in its understanding and estimation of its usefulness. In the views presented by different authors it is possible to distinguish three basic approaches:

- 1) Viewing intuition in the categories of a process (among others: Westcott & Ranzoni 1963, Raidl & Lubart 2001);
- 2) Viewing intuition in the categories of a result (among others Kahneman 2003);
- 3) Accepting the attributive characteristic of intuition (among others: Myers 2002, Policastro 1999).

Colloquially intuition is understood as a certain kind of brainwave, foreboding, sense, the process of indirect obtainment of knowledge, confidence in a certain case without a conscious understanding. Understanding of intuition in such a way is also typical of managerial staff of an enterprise. The respondents, who tried to define this notion¹⁵, often showed that intuition was: an internal voice, a certain thought, feeling, foreboding helpful in a decision-making process, which can guide when making a decision, which can incline to a certain behavior. They also mentioned that it is an internal belief and persuasion about correctness of undertaken actions. The managers who took part in the research identified intuition as an ability to foresee events, to make correct conclusions concerning the future, which are not motivated by any scientific analyses of estimations, a choice without any rational justification. They also mentioned that intuition is a self-preserving mechanism which enables capturing of numerous abnormalities despite the fact that they are not signaled by rational factors.

The managers who took part in the research pointed out at all important aspects connected with the issue of intuition – its definition, understanding and necessity in decision-making processes which are described in the branch literature¹⁶.

3. Usefulness of intuition in management – established theory

Similar tendencies as in the case of understanding the notion of “intuition” and its use in decision-making processes concern the issue of its usefulness in management. These tendencies can be described as a management’s point of view.

In order to understand the issue of intuition in management from the holistic point of view, at least two basic aspects should be taken into consideration:

1. Determination of typical behavior of management which states rational justification of the necessity to appeal to intuition, and

¹⁵ Methodology of the in-house research concerning the issue of managerial intuition, characteristics of a research population and the research results were fully described in a monograph: Jędrzejczyk W., *Intuition as a managerial competence in theory and practice of management of an enterprise*, “Dom Organizatora” Publishing House, Torun, 2013, pp. 197-239.

¹⁶ The issues of intuition and of the usefulness its in management was discussed by many researchers, among others: W.H. Agor (1998), D. Dean & J. Mihalasky (1974), N. Khatri & H.N. Alvin (2000), M.A. Lyles & I.I. Mitroff, (1980), I. Oluwabusuyi (2011), A. Peszko (2013), J.E. Pretz (2008), T.J. Peters, R.H. Waterman (1982), M. Sinclair & N.M. Ashkanasy (2002).

2. Determination of conditions of management which also justify the necessity to appeal to intuition in management practice.

Typical behavior of management which states a rational justification of necessity to appeal to intuitions are as follows:

- managers rarely think in a way which can be understood as rational;
- they sometimes formulate aims systematically estimating their value, discussing alternative ways of reaching them and choosing the paths which maximize the expected return on investment;
- usually they avoid rigorous, analytical planning.

Typical conditions of management which justify the necessity to appeal to intuition in management's practice are as follows:

- more and more complex and dynamic environment in which a lot of problems can be solved only with the help of intuition;
- an appropriate area of impact of management decisions includes reactions to difficult, new, irregularly repeating or unrepeatable situations;
- a lot of factors and criteria which managers should take into consideration when making decisions are of difficult or impossible to measure nature, often qualitative.
- not many decisions of strategic character in enterprises can be made on the basis of complete, precise and updated information.

Intuition by many theorists and practitioners of management is treated as a brain ability which can successfully be used in decision-making processes in the frames of an organization. It is given more and more significance in management and controlling of organizations. Strategic managers should possess this quality. A lot of researchers say that intuition is regularly used in running a business activity. However, it should be remembered that intuitive abilities are only used to complete and eliminate limitations of analytical abilities, but not to substitute them.

4. Intuitive potential of Polish managers in the light of the in-house research results

The presented proposals of own research concern Polish organizational practice. Methodology of the own research concerning the issue of managerial intuition, characteristics of a research population and the research results were fully described in a monograph: Jędrzejczyk (2013, pp. 197-239).

The obtained results concerning the issue of intuition in management, including intuitive abilities of the managers who took part in the research, are not optimistic. It has been stated that in the companies they do not practice intuitive management in a formalized way. In the enterprises which took part in the research the highly intuitive individuals were not identified, they were not given tasks which required an intuitive approach, they were not supported in their intuitive activities. In recruitment processes to managerial positions intuitive abilities were not taken into consideration. During the trainings conducted for managers their intuitive skills were neither developed nor enhanced. In the implemented competence models intuition was not taken into account. In single cases intuitive potential of managers was used in a conscious way. The level of intuitive abilities of the managers who took part in the research¹⁷ was 5.52 on the 12 degree W.H. Agor's scale of brain skill, only 1% of the managers¹⁸ had very high intuitive skills. It means that Polish managers in general are characterized by analytical abilities.

¹⁷ The analysis of potential intuitive abilities of the respondents was carried out with the help of the AIM questionnaire developed by W.H. Agor [1998, pp. 172-173].

¹⁸ To compare – the level of intuitive abilities of American managers in a private sector is 6.15. Very high intuitive abilities have 10% of managers [Agor, 1998, pp. 185-187].

On this basis one of the most important research conclusions was formulated: **In companies** systematic analyses connected directly with intuition are not usually carried out. Intuitive abilities and behavior of managers are not analyzed; however, it is understood that these abilities have an influence on the roles and implemented tasks in certain managerial positions. The obtained results make evidence which empower to make decisions aimed at effective and conscious use of intuition in the management practice.

5. Usefulness of intuition in management – perspectives of evolution

Activities aimed at a more effective use of intuition in the practice of management are not easy to implement. In scientific literature on management many different approaches can be found which can be helpful in effective use of intuition in practical activities. They are as follows:

- a management approach based on competences (mental competences) (Nosal 1999, pp. 201-202),
- an intuitive understanding of strategy (Duggann, 2007),
- a program to manage mind abilities (Agor 1998, p. 261-263),
- a system of managerial intuition management approach (Jędrzejczyk, 2013, p. 241-271).

The most advanced approach is a system of managerial intuition management put forward by W. Jędrzejczyk. This system establishes recognition of the level of intuitive abilities of the management, determination of the level of intuitive abilities required at different managerial positions, recruitment of managers with desirable intuitive abilities, development of the mechanisms which would limit the number of biases of intuitive decisions, development of the mechanisms which would increase the efficiency of the intuitive activities, trainings in terms of developing intuitive abilities and trainings in terms of increasing of efficiency of intuitive activities. The suggested approach is systematic and it does not treat intuition selectively.

The highlighted approaches, except the approach of intuitive understanding of strategy, are relatively simple. However, it does not mean that they are easy to use. In order to use them, special knowledge is not required, but you need self-discipline, regularity and persistence in action.

Previous approaches do not solve many problems connected with the issue of intuition in management. Here are the questions which have not been answered by the researchers so far:

1. To what extent do mental abilities influence decision-making?
2. How can a number of wrong intuitive decisions be limited?
3. Why are intuitive abilities of top-level managers much higher than intuitive abilities of lower-level managers?
4. How can mental abilities of managers be used optimally?

In order to find out responses to the formulated questions further research and analyses are required.

6. Conclusion

There is no doubt that intuition is a specific, effective cognitive source and a way to make decisions. However, treating intuition as an instrument to support management is not easy. It happens, first of all, because this brain ability is not fully understood. The results of the in-house research also confirm this argument. It would be better to eliminate intuition from business practice. However, it is not possible.

Theories concerning the issue of intuition in management could be divided into views which everybody agrees with, for example, the fact that intuition exists; and those views which are

not shared by everyone, for example, the question of usefulness of intuition in practical activity.

According to the authors the most helpful in effective use of intuition in organizational practice is a system approach to the issue of intuition. This idea is relatively simple. However, it does not translate into easy use. A lot of questions connected with the issue of intuition in management have not been answered yet. The problem requires further scientific research.

References

1. Agor W.H. (ed.) (1998): *Intuicja w organizacji. Jak twórczo przewodzić i zarządzać*, Wydawnictwo Profesjonalnej Szkoły Biznesu, Kraków
2. Dean D., Mihalasky J. (1974): *Executive ESP*, Prentice Hall, Englewood Cliffs
3. Duggan W. (2007): *Strategic Intuition. The Creative spark in Human Achievement*, Columbia University Press, New York
4. Jędrzejczyk W. (2013): *Intuicja jako kompetencja menedżerska w teorii i praktyce zarządzania przedsiębiorstwem*, Wydawnictwo „Dom Organizatora“, Toruń
5. Kahneman D. (2003): A Perspective on Judgment and Choice, „*American Psychologist*” 58(9), pp. 697-720
6. Khatri N., Alvin H.N. (2000): The role of intuition in strategic decision making, „*Human Relations*” 53, pp. 57-86
7. Lyles M.A., Mitroff I.I. (1980): Organizational problem Formulation: An Empirical Study, „*Administrative Science Quarterly*” 25(1), pp. 102-119
8. Myers D.G. (2002): *Intuition: Its Power and Perils*, Yale University Press, New Haven
9. Nosal Cz. (1999): *Psychologia decyzji kadrowych. Strategie. Kryteria. Procedury*, Wydawnictwo Profesjonalnej Szkoły Biznesu, Kraków
10. Oluwabusuyi I. (2011): Are Malaysia managers more rational than United States managers? „*Interdisciplinary Journal of Research in Business*” 1, pp. 13-20
11. Peters T.J., Waterman R.H. (1982): *In Search of Excellence: Lessons from America’s Best Run Companies*, Harper & Row, New York
12. Policastro E. (1999): Intuition in *Encyclopedia of Creativity*, eds M.A. Runco & S.R. Pritzker, vol. 2, Academic Press, San Diego
13. Pretz J.E. (2008): Intuition versus analysis: strategy and experience in complex everyday problem solving, „*Memory and Cognition*” 36(3), pp. 554-566
14. Raidl M.H., Lubart T.I. (2001): An Empirical Study of Intuition and Creativity, „*Imagination, Cognition and Personality*” 20, pp. 217-230
15. Sinclair M., Ashkanasy N.M. (2002): Intuitive decision-making among leaders: more than just shooting from the hip, „*Mt Eliza Business Review*” 5(2), pp. 32-40
16. Westcott M.R., Ranzoni J.H. (1963), Correlates of Intuitive Thinking, „*Psychological Reports*” 12, pp. 595-613

PERFORMANCE CONTAGION MANAGEMENT

Farid AHMADI^{1,2}, Ali ASHABI²

¹Department of Information Technology, Urmia University of Technology, Urmia, Iran

²Karafarini Omid Foundation, Tehran, Iran

E-mail address: f.ahmadi@uut.ac.ir

Summary: Performance contagion is an individual's emotional – behavioural reaction to the performance of a person or a group in close contact with him or her that leads to a kind of relatively unconscious, automatic conformity. For the purpose of constructing a conceptual model of employees' susceptibility of job performance, a general scale for testing the amount of individual's susceptibility to the performance contagion was developed in the present study. This scale has been used in developing the questionnaire. Then the questionnaire was distributed to the staff of Karafarini Omid Foundation and its validity, reliability, construct – related evidence and content – related evidence were studied. Considering performance management concept, we define the performance contagion management and based on it we conceptualize a new concepts in performance management. By assigning the employees based on the susceptibility to performance contagion and instrumentation of involved factors, a conceptual stepwise model is introduced for performance contagion management in an organization.

Keywords: Performance Contagion, Performance Contagion Management, Emotional Contagion, Synergic Contagion Center (SCC)

1. Introduction

Job performance can be defined as the extent to which one exhibits behaviours that further the goals of the organization (Rotundo & Sackett, 2002). This consists of not only formal, prescribed, task related behaviour, or core task behaviours, but also informal acts of a social nature that benefits co-workers, supervisors, and/or the organization called organizational citizenship behavior (Smith, Organ, & Near, 1983). While there is no comprehensive theory of job performance, it plays a major role in almost all human resource decisions (Borman, 1991; Campbell, 1990; Landy & Farr, 1983; Motowidlo, 2003). A system approach to performance management would specify and incorporate measures of individual performance variation that reflect performance changes due to the changes in an individual, job or job context. Note that in the system approach to studying individual job performance, the person cannot be separated from the system per se (Deadrick & Gardner, 2000) ; therefore context is a key factor in the organizational sciences since it helps frame phenomena in ways that influence our perceptions and interpretations of them, which in turn, affect decisions and actions (Johns, 2006). Doherty (1997) cited that one of the context factors that influences individuals in a society and work environment is emotions and behaviour of other people who work with them. People whether alone or in groups influence and are influenced by their work environment. Group members do have some influence on each other. The presence of others, deemed favourable in the group, may enhance the performance of other group members. This social facilitation is due to the heightened emotional arousal (the tension and excitement) that people experience in the presence of others (Greenberg and Baron, 2000).

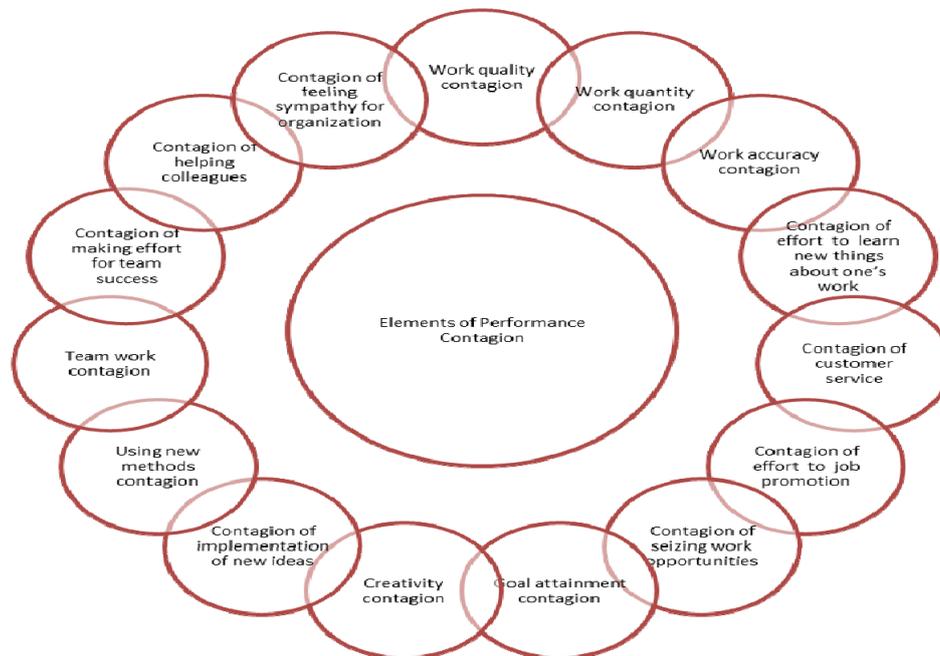
2. Performance Contagion

Theory and research on contagion has presumed that the feeling and behavior of a member may influence (or be influenced by) the performance of other members of an organization. This phenomenon has been interpreted as performance contagion and it is one of the environmental factors that influences an individual's performance and ultimately the performance of overall organization. Performance contagion is an individual's emotional – behavioral reaction to the performance of a person or a group in close contact with him or her that leads to a kind of relatively unconscious, automatic conformity (Ahmadi & Mirseppasi , 2010). Developing this scale as a scientific and practical step can be helpful in present study as well as other studies related to this phenomenon.

2.1. Scale of susceptibility to performance contagion

Different performance scales had been studied in order to develop the study questionnaire and the role- based performance scale (Welbourne, 1998) has been utilized to develop the research scale due to its comprehensiveness and generality of its sub scales. Using the mentioned scale, the sub scales of performance contagion were developed. Figure1 shows these elements. In our questionnaire two questions have been raised for each sub scale of performance contagion (One question for testing negative performance contagion and another one for positive performance contagion). It should be mentioned that in order to develop the study questionnaire, we consult and interviewed with the experts of human resource field as well as industry managers.

Figure 1: performance contagion sub scales according to Welbourne role- based performance scale



3. Methodology

The target population of the study was staff of Karafarini Omid foundation. The foundation has been established by Iran government to support the SME's and entrepreneurs. The method of sampling was random- stratified. Therefore, respondents were chosen randomly. Cuchran(1977) formula was used to calculate the sample. By putting 1100 as population, the sample equals 285.

The questionnaires distributed in units. Data were collected by a self-report questionnaire. Total number of 295 questionnaires was distributed, but 286 usable questionnaires were returned and analyzed. 188 respondents were men and 98 ones were women.

3.1. Validity and reliability test

In order to develop the study questionnaire, we consulted and conducted interviews with human resource experts as well as the industry managers. After preparing primary version of the questionnaire, the test of content validity was given to 15 experts. The experts are human resource managers that have works and executive experiences in performance management field and are familiar with behavioural contagion. The model fit was estimated by executing confirmatory and exploratory factor analyses. Reliability was established by means of Cronbach's alpha and the value was .76 that shows that reliability of the scale is acceptable.

3.2. Results of confirmatory factor analyses and determining the model fit

The model fit was determined by executing confirmatory factor analyses. Mentioned analyses were done by LISREL. Table 2 shows the results.

Table 2: The indicators of the model fit

The fit statistics	result
X ²	154.15
Degree of freedom(df)	395
Root mean square error of approximation (RMSEA)	zero
Root mean square residual(RMR)	.17
Normed fit index(NFI)	.95
Not normed fit index(NNFI)	1.09
Comparative fit index(CFI)	1.00
Goodness of fit index(GFI)	.56
Incremental index of fit(IFI)	1.08
Adjusted Goodness of Fit Index(AGFI)	0.48

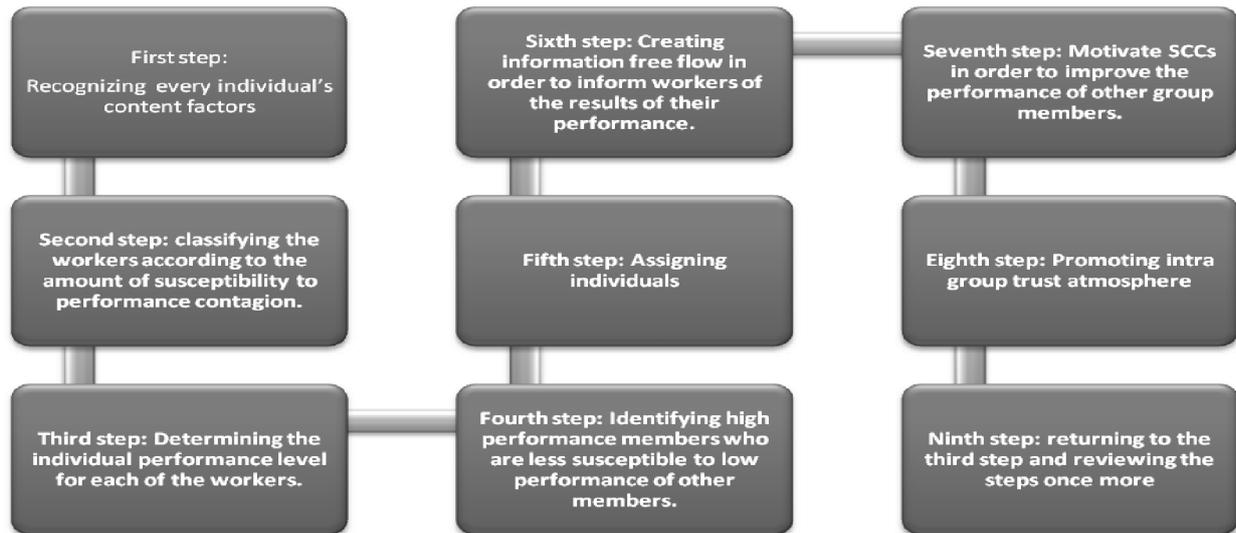
The first indicator of the model fit is X². X² tests the assumption that mentioned model is in harmony with the Covariation among studied variables. Smaller values show more fitness of the model. The ration of X²to degree of freedom is .39 and is in accordance with criteria suggested by Bayer (1989) and Bentler (1993)that appropriate value is smaller than 2. Therefore, we came to the conclusion that the test confirms the model fitness. Root mean square error of approximation (RMSEA) is zero and its upper bound is smaller than .05 and if we compared it .008 suggested Browne and Cudeck (1989, 1993). as the largest accepted value, we will conclude that the model fit is acceptable. Another indicator is the Root mean square residual (RMR) that in this model equals .17 that is small and indicates small amount of error and acceptability of the model fit.

As finding a model with good fitness does not show that this model is the only satisfactory model and there are various indicators of the model fit, it should be tested simultaneously by multi indicators. According to the above table, Normed fit index(NFI), not Normed fit index(NNFI), Comparative fit index(CFI)and Incremental index of fit(IFI)equal at least .87 and greater and it shows the model fitness.

4. Performance contagion management:

Performance contagion management is a strategic dynamic process of directing performance contagion in order to create, preserve and improve the synergic work environment that in return results in the development of workers, organization and society. In the suggested model presented in this paper and shown in the figure 2, it has been tried to analyse performance contagion process step by step by using presented process and content factors as well as introducing executive tools for each step.

Figure 2: Stepwise performance contagion management



We name some members as synergic contagion centers (SCC). They are the organizational manager's essential instruments for directing the human nature dimension toward organizational goals. By assigning these individuals (SCC) in work groups consisting of susceptible members, the performance of other members as well as the performance of the group will improve significantly. Promoting this atmosphere is effective in performance contagion due to the importance and necessity of trust in the performance contagion phenomenon. In order to make performance contagion management process dynamic, during ninth step and after a certain period of time, while we control other effective factors in the performance, we should assess individuals' performance again then judge about the effectiveness of assignment (human resource layout) and finally repeat previous steps after making necessary changes.

5. Conclusion

This paper has introduced new concepts in the performance management context that have close relationship with organizational behavior field. And in order to accomplish this objective, a general scale for determining the amount of susceptibility to performance contagion was developed. The mentioned scale was utilized in developing the study questionnaires. We distributed the questionnaires among staff of Karafarini Omid Foundation and ran reliability as well as content and construct validity tests. The results of these tests ensure that the model fits is acceptable. By this scale, we can classify individuals according to amount of susceptibility and examine the relationship between the amount of susceptibility and variables such as gender, personality, job experience, level of education, job category, job security perception, and other personal or environmental variables. By incorporating the

new concepts as well as scale and presenting stepwise model to contagion management, we have provided a means to lead context factors toward the organizational goals and performance improvement in both individual and organizational level.

References

1. Ahmadi, F. & Mirseppasi, N. (2010). Performance contagion and human resource layout: New concept in performance management. *Performance Improvement Journal*, Vol. 49, No. 1, 25-33.
2. Bentler, P. M. (1993). *EQS structural equation program manual*. Los Angeles, CA: BMDP statistical software.
3. Borman, W. C., & Motowidlo, S. J. (1993). Expanding the criterion domain to include elements of contextual performance. In N. Schmitt & W. C. Borman (Eds.), *Personnel selection in organizations* (pp. 71–98). San Francisco: Jossey-Bass.
4. Borman, W. C., & Motowidlo, S. J. (1997). Task performance and contextual performance: The meaning for personnel selection research. *Human Performance*, 10(2), 99-109.
5. Browne, M. W.; Cudeck, R., (1989). Single sample cross-validation indices for covariance structures. *Multivariate Behav. Res.*, 24 (4), 445-455
6. Browne, M. W.; Cudeck, R., (1993). Alternative ways of assessing model fit. *Sociologic. Meth. Res.*, 21 (2), 230-258
7. Campbell, J. P. (1990). Modeling the performance prediction problem in industrial and organizational psychology. In M. D. Dunnette & L.M. Hough (Eds.), *Second edition Handbook of industrial and organizational psychology*, Vol. 1. (pp. 687–732) Palo Alto, CA: Consulting Psychologists Press.
8. Cochran, William G. (1977). *Sampling Techniques* (Third ed.). Wiley.
9. Deadrick, D. L., & Gardner, D. G. (2000). Performance distributions: Measuring employee performance using total quality management principles. *Journal of Quality Management*, 4, 225–241.
10. Deadrick, D. L., & Gardner, D. G. (2008). Maximal and typical measures of job performance: An analysis of performance variability over time. *Human Resource Management Review* 18 (2008) 133–145
11. Doherty, R. W. (1997). The emotional contagion scale: A measure of individual differences. *Journal of Nonverbal Behavior*, 21, 131–154.
12. Greenberg, J. and Baron, R.A. (2000), *Behavior in Organizations*, Prentice-Hall, Englewood Cliffs, NJ
13. Johns, G. (2006). The essential impact of context on organizational behavior. *Academy of Management Review*, 31, 386–408.
14. Landy, F. J., & Farr, J. L. (1980). Performance rating. *Psychological Bulletin*, 87, 72–107.
15. Motowidlo, S. J. (2000). Some basic issues related to contextual performance and organizational citizenship behavior in human resource management. *Human Resource Management Review*, 10, 115–126.
16. Rotundo, M., & Sackett, P. R. (2002). The relative importance of task, citizenship, and counterproductive performance: A policy-capturing approach. *Journal of Applied Psychology*, 87, 66–80.
17. Smith, C. A., Organ, D.W., & Near, J. P. (1983). Organizational citizenship behavior: Its nature and antecedents. *Journal of Applied Psychology*, 68, 453–463.
18. Welbourne, T. M., Johnson, D. E., & Erez, A. (1998). The role-based performance scale: Validity analysis of a theory-based measure. *Academy of Management Journal*, 41: 540–555.

CORPORATE GOVERNANCE IN THE DEVELOPING COUNTRIES

Giovana Lavinia TIMIS (IUHASZ), Marin POPESCU

West University of Timisoara, Faculty of Economics and Business Administration, Timisoara, Romania

E-mail: giovana.iuhasz@giaconsulting.ro

Summary: During the past years, developing countries have become extremely interesting for researchers, as well as for capital investors. Even if they lack macroeconomic indicator stability or sufficiently mature financial markets, they provide a quick growth and the perspective of a solid development as long as these countries identify measures that will stimulate foreign investors to invest. One such measure is increasing the quality of corporate governance at the level of small and medium-sized enterprises, where it is currently almost absent. This article aims to help raise awareness of the need to implement good corporate management practices at the level of companies in developing countries and especially in Romania. This paper uses a questionnaire in order to evaluate the state of the corporate governance in Timis county and offers some suggestions on what should be done for a higher corporate governance quality in the case of small and medium-sized companies in Romania, with the purpose of establishing a connection between governance quality and business performance of SMEs.

Keywords: corporate governance, SME, information asymmetry, protection of minority investors

1. Corporate governance evolution

The quick development of the international markets and the high level of connectivity between these markets have generated the need for systems that would allow the participants on the globalized markets to understand the rules. The level of organization on each market is highly dependent on the maturity of the market.

The mature markets have applied complicated governance systems for a long time now. Still, the developing countries are behind. The Latin word „gubernare” was accepted by the literature under the form of “governance”, which can be translated as „to direct”, „to lead” or „to govern”. The concept started to develop at the end of last century, when, as competition grew on the international markets and companies developed further and further, the ties between managers and shareholders grew increasingly weaker. In 2012, Tricker wrote that countries should stimulate the development of a set of corporate laws that could constitute the basis of complex corporate governance codes, needed in order to offer companies the guidelines of how they should be led and controlled.

The „corporate governance” sets the „rules of the game” within the company, being made up of a set of control elements operating together to regulate the relationship between all those that have an interest in the company, also known as stakeholders but also making reference to the social responsibility undertaken, to business ethics, to the truthfulness of financial data provided to third parties, to institutional and reporting transparency.

The first general set of corporate governance principles was offered by OECD and was centred round the transparency of financial-accounting information. OECD considered that the quality of the disclosed information plays a significant role in the decision-making process and therefore, for the stability of the integrated financial markets, a set of rules is needed. The

principles they issued, were meant to improve the regulation framework concerning the company management, to protect the interests of both majority and minority shareholders.

Corporate governance has developed a lot during the last few decades and generated a few different approaches. The first corporate governance theory was the *agency theory*, which is based on the assumption that the main role of organizations is to maximize their owners' wealth. This theory studies and solves the differences arising between the principals (shareholders), that entrusts the management of their own interests to agents, and the agents (managers). A big problem of this theory is that in many companies, the connections between shareholders and managers or boards of directors are weak, meaning that even if managers are the employees of the owners, they keep their independence and try to reach their own goals which can be very different from those of the owners. The power of the managers increases when the shareholding is scattered and the owners are uninformed. Information asymmetry is very important and increases the tensions between the different stakeholders.

McCahery et al. (2006) point out that a high-quality system of corporate governance requires institutions and mechanisms to ensure a management focusing on shareholders' welfare, a management board made up mainly of non-executive managers, and a corporate regulating system to protect minority investors. In 2001, Mulili and Wong (2001) talk about an adverse selection, when a principal cannot ascertain whether an agent uses his/her powers to do the job he/she is paid for. They also talk about the moral hazard, which is when the principle does not know for sure that the agent is making all efforts to meet the goals for which he/she has been granted power of attorney.

Another theory is the stakeholder theory. This theory considers that managers serve a complex system of people, which includes shareholders and managers, creditors, clients, suppliers, the state, and other people from the company's environment, each of them having their own set of objectives and purposes. This theory was developed by Richard Edward Freeman. The goal of a company's management is to integrate and administer the relations between investors, suppliers, creditors, employees, customers, the community, and other groups that can guarantee the organization's success in the long run (Fontaine et al., 2006) and for the success of the company, none of the stakeholders can be excluded. The company needs to create value for all the interest groups around it, without any difference among them. This is based on the concept of corporate social responsibility.

Managers are believed to be people whose activity is guided by a set of fundamental ethical values and principles, based on altruism and good reputation, to the detriment of their individual interest and their personal short-term financial purposes. This and some sociology and psychology theories stood at the basis of the stewardship theory. It is based on the idea that managers put the collective interests above their own, the main reason of such a behaviour being that when the company is well, the manager will also benefit. Managers work to obtain high profits for the company and higher returns for the shareholders (Donaldson & Davis, 1994), without taking advantage of the opportunities that arise for themselves as individuals. They take into account stakeholders' wishes and expectations and carry out their activity in a responsible manner in relation with them. Still, the big managerial faults that lead to major companies bankruptcy, have proven this theory to be wrong.

The political model of corporate governance, present in Turnbull works (Turnbull, 1997), considers that the allocation of corporate power is determined by the political factor. On the other hand, companies also play a part in shaping political, legal, and regulatory systems.

The managerial hegemony theory shows that managers are the ones controlling the companies, having the central and dominant role, while the owners have no direct implication in the decisions took. Organizational behaviour, the decisions being taken, and the company performance are most often influenced by such authoritative managers; even the appointment

and approval of independent members of the management board is strongly influenced by executive managers' power, dominance, and personality.

Pfeffer and Salancik (1978) consider that organizations depend on specific resources. The company management lies between the company and the resources needed for meeting goals. The resource-dependency theory views the environment as the main source of the resources needed for business; in order to obtain these resources, the company needs to establish relations with other individuals.

All of these theories just support the ideas of Sir Adrian Cadbury, who believed that the main preoccupation of governance should be to maintain balance between the company's economic and social goals, as well as between individual and collective goals, in an attempt to „align as much as possible the interests of individuals, of the company, and of society”.

Taking all of this into account we aim to test the following hypothesis:

H1: That the approach towards corporate governance used by small and medium size companies in Timis county is similar to the one present in developing countries

2. Methodology and results

In order to test our hypothesis, we have applied a questionnaire upon 100 small and medium size companies from Timis County, from different fields of activity, between 2008 and 2013. The questionnaire used as a data collection instrument was highly structured and contains mostly closed questions, with a few open ones as well.

In the questionnaire we have included questions regarding both financial aspects (financial indicators, evolution from the financial point of view), as well as questions regarding the principles that apply in the company and to what extent corporate governance principles (even if not clearly stipulated) apply.

The study showed that only 62 of the 100 companies that we've investigated are still operating normally, while 32 are bankrupt and the others have ceased to operate for economic and personal reasons. We have found that the companies that willingly closed down were generally small companies (with up to 5 employees), having a turnover of less than 50,000 Euros. One of the big problems of these companies was that there was no information transparency even between departments, so that problems identified by the financial-accounting department were not even signalled to the company management.

One important aspect that we took into account was that the companies we've investigated are companies that perform their activities into a developing economy, where economic activity is dominated by growth and industrialization, the macroeconomic indicators are very volatile and there is a high degree of risk regarding investments. Transition countries are similar between themselves but not identical as their past is very different: some were developed before the rise of communism, and private property had generated a strong economy, based on small and medium-sized enterprises, others did not experience a mentality based on public property. A feature of developing economies is that there are a small number of large companies, with high financial potential and that the small and medium-sized businesses, do not usually have corporate governance codes. Authors generally believe that the rules, standards, principles, and practices ensuring good corporate governance are found in joint-stock companies, which is why approaching corporate governance in developing countries is a delicate undertaking, as we are talking about the quality of corporate governance in companies for which this cannot be imposed in any way. Bollard (2003) claims that corporate governance codes imposed in their cases could make a significant change. Economic development can only occur by stimulating the development of sustainable entities, created based on sound principles and closely supervised by well-defined regulation and control institutions.

In the 90's, many developing countries attempted to implement corporate governance principles as those used in Western countries, without taking into account the lack of the needed institutional structure. In the case of the 8 economies that joined the EU in 2004, EU has provided the stability and guidance needed for institutional restructuring, increasing their credibility in the eyes of investors. Even though the application of Western governance models has not yielded the desired results in all cases, the literature shows that most transition countries still apply models taken from Western countries, they still have a weak institutional structure concerning corporate governance.

This was also proven by the answers to our questionnaires. In Romania, corporate governance is a relatively new concept and the corporate sector is still dominated by acute informational opacity. This lack of transparency, doubled by the lack of a sound system for governing corporations, sends a negative signal to potential foreign investors, who have no guarantees regarding the stability of the business environment. The analysis of the activity of the 62 companies in Timis county that survived the 2008-2013 crisis period reveals that, even though they had no actual written codes of good practices, they did apply corporate governance principles. Their business organization revealed a series of common elements: rigorous procedures for management supervision and control and for eliminating the risks of wrong or fraudulent management; analysing and rethinking activities by eliminating unprofitable ones; reorganizing the company by eliminating inefficient positions; the existence of a regularly updated manual of accounting procedures with the presentation of accounting rules and treatments; systematic cash-flow monitoring; drafting revenue and expenditure budgets and making sure to stick to them at all times.

The study shows that most bankrupt companies (73.08%) did not implement a risk control system. Also, quite many of them (92,31%) did not draft a good practice guide or defined a risk management system. 30.77% of them believe cooperation between management and accounting to be just necessary.

3. Conclusions

The study allowed us to identify problems at the level of the Timis County SMEs, problems that are in many cases connected with the absence of corporate governance rules, which increases the opacity of information provided to third parties, lowers the protection of minority shareholders, decreases the definition of tasks within the entity's management bodies, and last, but not least, generates a negative impact on the performance obtained.

Corporate governance becomes an "umbrella" that offers a frame for the control and reporting based on the risk management and also offers an efficient internal control system that can insure the reaching of the companies' goals in terms of performance and management responsibilities. A company where the shareholders have control over the business and applies corporate governance standards offers an insurance for the shareholders as the predictable risks can be anticipated and managed in the right manner. Still, this does not ensure the success of the company but only a reasonable chance for the company to remain on the market.

The study still needs to be developed and we are going to look at the 7 pillars that are considered to stand at the basis of the corporate governance. We intend to see to what extent these main aspects of corporate governance can apply to small and medium size companies, especially in the case of companies located in emerging markets. We also intend to develop the study in order to cover not only the county level but also at the whole country level.

References

1. Abor, J. (2007): Corporate governance and financing decisions of Ghanaian listed firms, *Corporate Governance*, Vol. 7
2. Blair, M. (1995): *Ownership and Control*, Washington: The Brookings Institution
3. Bollard, A.: Corporate governance in financial sector, The Annual Meeting of the Institute of Directors in New Zealand, 2003, on <http://www.rbnz.govt.nz/speeches/0132484.html>, accessed la 2.03.2012
4. Claessens S., Yurtoglu B.: Corporate Governance in Emerging Markets: A Survey, Working Paper Series, 2012, available at SSRN: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1988880, accessed on 25.03.2012
5. Donaldson, L.; Davis, J.,H.: Boards and Company Performance - Research challenges the Conventional Wisdom, *Corporate Governance: An International Review*, Vol. , 0040256 3, 1994
6. Fontaine, C., Haarman, A., Schmid, S., The stakeholder theory, 2006, available on <http://www.edalys.fr/documents/Stakeholders%20theory.pdf>, accessed on 28.06.2012
7. Mulili, B.M., Wong, P. (2011): Corporate governance practices in developing countries: The case for Kenya, *International Journal of Business Administration*, Vol. 1
8. Pfeffer, J., Salancik G.R. (1978): *The External Control of Organizations: A Resource Dependence Perspective*, New York, Harper and Row
9. Shleifer A., Vishny, R. (1997): A survey of corporate governance, *Journal of finance*, 52
10. Tricker, B. (2012): *Corporate governance. Principles, Policies, and Practices*, Second Edition, Oxford University Press, Oxford
11. Turnbull, S. (1997): Corporate Governance: Its Scope, Concerns & Theories; *Corporate Governance: An International Review*, Volume 5, Issue 4
12. *** Cadbury, A.; Cadbury Report (The Financial Aspects of Corporate Governance), 1992, available at http://www.ecgi.org/codes/code.php?code_id=132, accessed on 08.03.2012
13. *** OECD (2001) Corporate governance in Romania, available at <http://www.oecd.org/corporate/ca/corporategovernanceprinciples/2390703.pdf>, accessed on 31.07.2013

Acknowledgments

This work was supported from the European Social Fund through Sectorial Operational Programme Human Resources Development 2007 – 2013, project number POSDRU/159/1.5/S/142115 , project title “Performance and Excellence in Postdoctoral Research in Romanian Economics Science Domain” and project number POSDRU/159/1.5/S/134197 , project title “Performance and Excellence in Doctoral and Postdoctoral Research in Romanian Economics Science Domain”

MECHANISMS OF CORPORATE GOVERNANCE IN KOSOVO

Metë BEQIRAJ

Kosovo Energetic Corporation J.S.C., Pristina, Kosovo

E-mail: m_beqiraj_1@hotmail.com

Summary: Public Enterprises (PE) in Kosovo are of strategic importance for the country, employing about 14,000 workers and the impact on the economy over 20% of GDP over the past 5 years. Corporate Governance (hence CG) in Kosovo is a new concept and is in the process of continuous development and improvement. The aim of the research is to analyse the mechanisms of CG and its legal framework in PEs. CG in Kosovo as a result of the challenges of transition is closely related to the consolidation of the rule of law, ownership structure, as well as professional and institutional capacities. The basic hypothesis is that the weaknesses of the CG mechanisms affect the quality of the CG. Methodology: The research sample will be 17 NP 100% owned by the government. The research method will be combined primary data with secondary ones such as annual reports, analysis of the legal framework and mechanisms of CG. For primary data I conducted a survey with key actors in the CG. Results of the survey will identify strengths and weaknesses in the nature and enforcement mechanisms at CG and in this way to strengthen policy dialogue that will identify reform priorities that lead to improved performance CG and economic.

Keywords: corporate governance, mechanisms, public enterprises

1. Introduction

Empirical studies confirm that companies with good CG standard are valued higher in financial markets (McKinsey, 2002). Promoting CG has become a global movement developing wide array of standards, codes and criteria for evaluation. For investors, one of the most important aspects when making investment decisions is the level of implementation of the principles of CG (information disclosure, protection of shareholders rights and equal treatment of all shareholders and other stakeholders) and profit that provides return on their investment. PE has multiple and contradictory objectives, influenced by excessive political interference and lack of transparency, considered the main problems facing PE in Kosovo.

2. External mechanisms of CG

External mechanisms include: 1) The market for corporate control 2) legal infrastructure 3) protection of small shareholders and 4) Conditions for competition.

2.1 *The market for controlling the corporate*

One of the most effective mechanisms for corporate control is the managers' market, which forces managers to operate effectively because they can always be replaced by other more effective managers. In case of CG in PE of Kosovo, the role of the market for corporate control of the company is performed by Board of Directors (hence BD).

2.2 Legal and institutional basis

Law on PE (Law no. 03/L-087, 2008), as amended and supplemented on 20.04.2012 (Law no. 04/L-111) is a foundation for the form of management, reporting and ownership, for all PE's. According to the law, the Government is obliged to supervise the management of these enterprises and report to Assembly on an annual basis. Kosovo's legislation is largely in line with the EU because of the considerable technical assistance provided by the United Nations (UN) and the EU in recent years. However, the level of implementation of this legislation is less advanced. According to the Law on PE, Article 4, item 4.1, all PE's shall be organized as a joint stock company (JSC) in accordance with applicable laws on commercial companies (Law no. 02/L-123).

2.3 Protecting the interests of shareholders

Law on PE, Article 13 stipulates that PEs are subject to the same legal treatment as private enterprises. Law on PE, Article 12 stipulates that all shareholders shall be treated equitably. According to the law, an equal market for all stakeholders is intended, and this is in conformity with the principles of the OECD (2005) and it poses a challenge for the government to implement it in the future.

3. Internal mechanisms CG

Internal mechanisms of control are: 1) The Board of Directors 2) Compensation of Management 3) Concentration of ownership 4) Relationships with stakeholders 5) Financial transparency and disclosure of relevant information (corporate reporting).

3.1 Composition of Board of Directors

Law on PE (Law no. 03/L-087) defines the model as a one-tier board, known as the Anglo-American model. According to the Law on PE, Article 15, paragraph 15.1 the Board of Directors (BD) of a PE shall consist of five or seven directors. All directors, except one, shall be selected by the government and each such selected director shall have a 3-year term. The other director will be Executive Director (ED) of the PE and shall be selected by the Board of PE based on Article 21 of this Law. According to the Law on PE, Article 17, paragraph 17.2 all directors, except the DE, shall be independent. Article 37, paragraph 37.1 stipulates the establishment of Policy and Monitoring Unit of the PE (PMUPE) within the Ministry in order to support the Minister and the Government in exercising the responsibilities for PE which were conferred upon them by this law. In 17 PE analysed, BD counted 97 members, of whom six are women (19.6%) and 91 men (93.81%). Based on research findings, only 2 out of 17 PE distributed dividends for the government, while 15 other PE are not financially viable.

3.2 Remuneration of PE Directors

Law no. 04/L-111 on Amending and Supplementing the Law no. 03/L-087 PE Article 12 (1) limits the performance incentive remuneration which is determined after the annual audit of the financial statements and the publication of reports on the performance of the regulatory offices. This compensation (bonus) is now paid to directors, an amount up to 50% of the basic fee referred to in paragraph 2 of this article. Research results points out that BD have illegally distributed bonuses before the end of calendar year and without assessing their performance. Members of the Board of PE in the past four years gained 3 million on behalf of salaries and bonuses (Newspaper Zëri, 09.05.2014).

Office of the Auditor General (OAG) in its report (August 2014) found that total compensation for members of the BD for the period between 2009 and 2012 was 2,439,710 €. From this value for BD meetings was € 1,691,304, compensation for € 204.268 audit committees, compensation for other committees and retroactive payment € 528.368 payment of members of BD € 15.770, whereas bonuses allocated in this period were in the amount of € 1,207,139. Total compensation and bonuses for BD for the period 2009-2012 was € 3,646,849. From the analysis of the OAG report it can be seen that the total payments to other committees from PE for the period 2009-2012 was € 528.368 (OAG, 2014).

3.3 Concentration of ownership in PE

In the case of Kosovo, the ownership structure of PE of Kosovo is focused on only one shareholder (the government, as 100% shareholder), which does not imply the existence of the market for corporate control, and therefore reflects the composition of BD which has a key role in CG of PE. PE in Kosovo continues to have low performance and delay in providing quality services to citizens. PE have been consistently followed by a series of negative phenomena such as mismanagement, corruption, weak and non-professional boards, political interference, non-transparency, having too many staffers and militants of rulers, budget deficit, etc. This made PE not attractive to investors. Kosovo's government has made it clear to the introduction of the private sector in these sectors. Privatization of state-owned shares in certain PE has moved very slowly, which at the current level of their management and financial sustainability means relatively low quality of CG of PE in Kosovo. Moreover, it is rightly to assert that the best solution for PE in Kosovo is privatization and most effective way to improve the performance of these PE.

3.4 Relations with interest groups

PE should recognize the importance of relations with interest groups, for the sound and financially stable companies. State ownership policy should fully recognize the PE responsibilities towards stakeholders and lay down demands that they report on relations with other stakeholders. It is necessary for PE to continue active cooperation with all stakeholders in order to create jobs, prosperity and the preservation of financial stability of the company.

3.5 Reports based on Law on PE

The law obliges all PE to submit every 3 months certain reports. Based on research, from the total number of 17 PE analysed, only 13 of them possess internet website. It is also noted that the maintenance of existing web-pages is insufficient. Results of the survey show that there are few relevant information to current and potential shareholders and other interested parties. From 17 PE that were analysed, only nine have published: mission, vision, annual business plan, organizational chart, financial statements and independent auditors' report, etc., for 2010-2013 periods on their website. PMUPE has published annual reports for the 17 PE and the external auditor's report on its website for the year 2010-2013 for all PE, but this site is poorly maintained and not all the reports can be opened. Whereas in 2014 there is no reporting conducted, although the law requires 75 days after the end of the calendar year to report to the Assembly.

4. Conclusions

Among the achievements of the Kosovo government worth of highlighting is the provision of legal and institutional framework, which largely meet the standards and principles of the OECD and other international experiences, but their implementation in practice remains a challenge. Weak enforcement of legal provisions and non-qualitative supervision of PE activity by the shareholder shows that there are delays in the delivery of quality services to citizens. It should reflect the positive effects of greater transparency and greater public access to information on the operation of the PE. Research analysis shows that the government as a shareholder is not that much interested to improve the performance of PE and political interference are highly influencing the appointment of directors and management. PE are responsible for the procurement of goods and services that are in fact the most corrupted practices in terms of tenders abuses by certain political groups and the governors who, beyond a shadow of a doubt, are a cancer to the health of PE in Kosovo.

CG in PE of Kosovo has made progress over time but more efforts should be done and focus on enhancing the quality of the board of directors, whose members should be professionally trained, have better information about the company's operations, and should have greater independence and not be subject to political influence, because strengthening the role of the board of directors would allow high efficiency and win the company's reputation. These results reflect that the concept of CG in Kosovo is in the beginning stage. It is evolving and not well understood or applied. Research results show the need for raising awareness about the importance of the CG and its implementation.

References

1. Ligji Nr. 03/L-087, Për Ndërmarrjet Publike (2008), i ndryshuar me Ligjin Nr. 04/L-111, (2012).
2. Ligji Nr. 02/L-123, Për Shoqëritë Tregtare (2007), i ndryshuar me Ligjin Nr. 04/L-006, (2011).
3. McKinsey & Company (2002): Global Investor Opinion Survey: Key Findings, London.
4. NJPMNP, Raportimi i Performancës së Ndërmarrjeve Publike, për vitet 2010÷2012.
5. OECD, (2004), OECD Principles of Corporate Governance, Organization for Economic Cooperation and Development, Paris.
6. OECD, (2005), Guidelines on the Corporate Governance of State-Owned Enterprises, Paris.
7. ZAP (2014), Raporti i autitimit për kompensimet e BD të NP për vitet 2009÷2012.

TERRITORIAL INNOVATIVENESS: CAN CULTURAL DIFFERENCES BE AN IMPORTANT FACTOR?

Kenneth Obinna AGU, Maria FEKETE-FARKAS

Szent Istvan University, Gödöllő, Hungary

Email: obinna.agu1@gmail.com

Summary: Countries differ significantly in terms of their innovative capacity. Notwithstanding, the magnitude of the innovation gap and the cultural emphasis placed upon it, very little systematic comparative analysis has been carried out on the causes. Both researchers and policy makers agree that the innovation has a critical role in economic and social development. This paper provides a literature overview about the territorial dimension of innovation and factors influencing innovativeness and gaps that exist. Amongst other factors, this paper is focusing on the effect of territorial cultural differences, which are key driving forces to innovation dissemination. The paper looked briefly into some social institutions across European territories such as norms, values; formal and informal that has significant influences on innovation process. What the paper does is to check the European business managers and innovation actors their view point on the European Union project to be “most competitive and dynamic knowledge-based economy in the world”. EU leaders explicitly acknowledge gaps that exist between different territories across the Union. Therefore, the paper would analyze the survey result from the innovation actors and business managers, present the findings that would help policy makers to drive the topic to a better direction in order to get optimal result to benefit people of Europe and the world.

Keywords: Territorial Dimension, Innovation, Cultural Differences, Europe 2020

1. Introduction

Many social scientists and researchers have been linking national cultures to innovativeness, but so far little emphasis has been made to the territorial integration of countries innovativeness. Cultural differences and innovativeness are multi-faceted social phenomenon with innumerable manifestations. Innovation takes place as an art of exercises routed into cultural view points and attitudes.

With European Union struggling economies and financial crises, territorial integration to create innovation and provide innovative solutions are key driving forces to create jobs and market opportunities. The aim of the paper is to bring to attention that territorial integration within the Union that would enable innovativeness, lead to competitive and comparative advantages of different levels and magnitudes. Across EU territories, disparities were identified, according to Jonathan Michie and John Grieve Smith (1994), the two measures of disparities are per capita GDP, measured in terms of PPS (purchasing power standard) and employment levels. Other levels of territorial disparity measurements are high birth rates, ageing populations and dependency ratios. On employment frontiers, there are disparities in sectoral structure of employment, productivity and wage differentials. There are infrastructure indicators such as the adequacy of water supplies, rail and modal networks. There are also welfare indicators such as the existence of primary health care, including education attainment, etc. Even though Europe experienced significant regional convergence of these indicators, there are very large disparities between EU territories.

In 2000, the conclusions of the presidency of the Lisbon European Council established the goal of making the European Union the “most competitive and dynamic knowledge-based

economy in the world.” In so doing, they explicitly acknowledged the gap that exist between different territories across the Union, and the council decided to put projects in order to narrow the gap and make EU a success story. The Lisbon initiative and policy are supposed to create job opportunities, open new markets and frontiers and help redistribute resources across territories. It is imperative that Europe disconcerting economy would fight out the crisis and be competitive if it integrates the territories different national cultures and elements to achieve innovation. This paper aims to identify the gap by focusing on the ‘territorial innovation and factors of different cultures’ in the EU. The territories across EU are highly characterized by different historical and geographical elements, there are different contemporary institutions, rules and incentives governing the creation and geographical mobility of innovation, however the combination of such inputs therefore creates gap in innovation systems across territories.

2. Literature Review - Human Capital Mobility

Innovation is a science of acquisition of inner abilities, in other words, human capital. These could be the stock of knowledge, habits, social and personality attributes, including creativity, embodied in the ability to perform labor so as to produce economic value. Alternatively, human capital is a collection of resources, all the knowledge, talents, skills, abilities, experience, intelligence, training, judgment and wisdom possessed individually and collectively by individuals in a population. These resources are the total capacity of the people that represents a form of wealth which can be directed to accomplish the goals of the nation or state or a portion thereof.

2.1. The Creativity

There are different phenomenon to describe creative act and art. Creativity as defined by Mullin is an application of imaginative thoughts which results in innovative solutions to many problems. Creativity draws crucially on our ordinary abilities. Actively creative people have a talent for getting to the heart of a problem. This is possible due to stages humans goes through to be creative. Mullins highlighted 4 stages

- Preparation stage: conscious attempt to understand and absorb information.
- Incubation stage: conscious mind is focused elsewhere but below the level of consciousness the ideas are being continually combined.
- Illumination: solution appears suddenly – flash of insight.
- Verification: solution is tested in a conscious and deliberate way.

Many influences of creativity come from personality-learning-capability. Learning means change but changes of a relatively permanent kind. A common definition of learning is ‘a relatively permanent change in behavior or potential behavior, that result from experience’ (Mullins 2010). These temporary changes are of a different nature to those associated with the process of learning that result in knowledge and a change in behavior. There are two main set of factors of learning namely: External factors – internal process

Early classic studies of learning offer explanations for simple learning situations. The principles arising from the laboratory experiments remain applicable to an understanding of materials. Of course, there are more complex forms such as cognitive format that considers different preferences and styles.

These 4 ways of learning is reflection of the followings:

- What’s new, I’m game for everything – Activists technique
- I’d like time to think about this - Reflectors technique
- How does this relate to that – Theorists technique
- How can I apply this in practice – Pragmatists technique

2.2. Culture-Personality-Innovation

Individuals and behaviours differ and are very complex in nature. What makes humans different according to Mullins (2010) includes ethnic origin, physique, gender, early family experiences, social and cultural factors, national culture, motivation, attitudes, personality traits and types, intelligence and abilities and perception frontiers. Some of these characteristics are shared with others while some are unique due to inherited and environmental factors. These frontiers lead to understanding of self and others, in other words, personality. Personality is viewed as consisting of stable characteristics that explain why a person behaves in a particular way. However, it is only when we see/hear/observe a person that we can gain an understanding of their personality (Mullins 2010). Personality studies can be divided into two main approaches, labelled as nomothetic and idiographic frontiers. These two main approaches identify our personality characteristics and show our behaviours, attitudes and approach towards nature and creative ability. As a function, culture becomes imminent. This is why, my preference to define culture is “acquisition to learn-ability and believability, = creative-ability”. This definition appears as I understood culture from different frontiers.

In general, learning different things and believing in those things forms a cognitive action known as “culture” and an integral unit to creative act and art. It then becomes the root of our behaviour, attitude and life.

2.3. Essential Determinants of the Innovation Gap

Innovation signifies the ability to utilize disposable resources and new technologies available. Authors such as Johnson et al, 2008 wrote that innovation is more complex than just invention. According to him, invention involves the conversion of new knowledge, while innovation adds the critical extra step.

The strategic dilemmas stem from this more complex and extended process. When talking about innovativeness, we are expressing knowledge based conversion that results to creativity. The innovation output gaps between the European territories are most frequently attributed to differences in inputs to innovation production. The quantity and quality of inputs, as well as the broader ‘innovative infrastructure’ in the contexts – by reflecting the cultural, institutional, and economic diversity across the territories of the EU are the key to innovative Europe. Structural characteristics that would make a region more ‘innovation prone’ includes: Education / Life-long learning / Sectoral composition / Use of resources / Demographics.

These characteristics are mainly determined on territorial spending such as research and development, adoption in new technologies, entrepreneurial cultures, density of economic interactions, availability of human capital and high-tech industry and institutional incentives such as labor laws, and taxation modalities and etc. Across the European territories, these characteristics vary significantly. The goal is to narrow these gaps and learn at same time share the best territorial practices.

3. Methodology

The research paper used few population samples to summarize the research. As a result, case study was developed to access the research hypothesis. Jankowicz, A. D. (2005) wrote that survey method draws most of its data from the present. This is surveying people to establish their views of what they think, believe, value or feel through interviews and questionnaires. Survey method will help discover these views for their sake and to support an argument of the

research work and generalize conclusions more widely. Jankowicz views survey method as perfect method to research work at any level.

3.1. Data Collection Procedures and Analysis

The research draws its framework and analysis mainly theoretical, with numerical analysis to evaluate outcome, conducted in form of interview and rating number 1 – 5 from European expatriates of different nationalities that works in Luxembourg. Since this topic is connected to innovation, private enterprises are the main users of innovative solutions and are more reachable than public servants. Therefore the research was able to get private sector participants rather than public sector due to language difficulties of the researcher, Luxembourgish is the spoken language of public sectors and the researcher does not speak it.

11 persons were reached for interview and to fill the rated questionnaires. Of course, it is a fair representation of the EU nationalities. Thanks to Luxembourg diversity work force, Luxembourg has more expatriates than any other EU countries; the research was able to utilize such opportunity. 5 out of the 11 respondents are on the management level positions, 3 are on mid-level and the rest 3 are staff level. The research paper developed multiple regression and multi-dimensional questionnaires to capture factors that could lead to decision to have a joint and or rotational innovation programs across territories of the EU.

For confidentiality sake, the study would present the company name, but the managers and staff names as anonymous. The name of the company is Performance Fibers Group. The respondents are from different countries of the Union. This is to assure a fair representation of national cultural dimension to their response.

In other word a multi-regression model and analysis of their perspectives, viewpoints and settings, with independent variables, X to predict a numerical dependent variable, Y. For the research paper, the dependent variable, Y is territorial innovation and innovative solutions, while independent variables, X are national cultures, talents, Universities, government finances and market opportunities. The questionnaire assigned priority rating 1 – 5. *Low priority means 1 – 2, high priority means 3 – 5.* Finally the sum total gave the overall importance to the factors that could determine innovation and innovativeness across European territories. In order to simplify matters, the research paper used the United Nations geographical region and composition mapping to categorize the 28 European Union countries.

- National cultural fundamentals: working habit within the territories, masculinity verses femininity, national cultural style.
- Territorial resources: education, skill work force, infrastructures, market accessibility and financial program availability.

There were oral but non-recorded questions and asked to testify the respondents understanding of the research topic:

Can different territories across Europe Union bring in their different national cultural backgrounds to create innovation and innovative solutions?

On this question, the 11 participants responded ‘YES’. However 4 responded with conditionality, due to different countries ways and attitudes could create fiasco. However, the research was not interested in country level specific therefore; YES is considered.

Can this approach lead to competitive and comparative advantage for Europe?

9 responded YES, 2 responded NO

NO was that some countries has nothing more to offer. Some countries of the Eastern and Southern Europe were mentioned. Again, the research was not interested in country level specific therefore; NO is considered for the 2 respondents.

Can territorial integration across the Union help build competitive and comparative capacities and can it benefit the EU?

5 responded YES, 1 responded NO, and 5 responded DO NOT KNOW.

NO was because of different national cultures mentioning Eastern and Southern Europe.

DO NOT KNOW was because of the politics at the EU and territorial levels.

EU Regions According to United Nations Geographical Region and Composition Mapping

North - North / North - West / North - East / North - South / West - West

West - East / West - South / East - East / East - South / South - South

Table 3: Analysis of the Questionnaires

Factors that drives territorial innovation and innovative solutions (Rating: 1 - 5)									
EU	Femi- ninity	Mascu- linity	Culture	Univer- sity	Skill Work force	Regional finance, influence, program	Economic of scale Industry cluster	Infra- structur e	Develop market & accessibility
N - N	18	36	30	48	40	30	24	40	46
N - W	16	28	40	40	46	36	40	48	48
N - E	16	24	36	46	36	40	28	50	40
N - S	14	50	28	50	34	48	50	46	40
W - W	16	28	48	48	28	40	24	48	40
W - E	16	26	40	48	50	34	40	46	48
W - S	12	48	20	50	48	24	48	48	36
E - E	16	46	36	50	48	28	40	48	48
E - S	12	48	28	50	46	32	48	50	48
S - S	10	50	24	48	40	40	24	50	28
Total	146	384	330	478	416	352	366	474	422
N	Den	Est	Fin	Ire	Lat	Lith	Swe	UK	
S	Cro	Cyp	Gre	Ita	Mal	Por	Slov	Spain	
W	Aus	Bel	Fra	Ger	Lux	Neth			
E	Bul	Cze	Hun	Pol	Rom	Slovk			

Source: own creation

3.2. Field Results

The respondents were interviewed through a written document; they filled out the questionnaires too. They gave different rating numbers as presented above (*Table 3*). From the answers, respondents rated priorities differently. The rating number of the University showed that top level priority is on education. This is why it received the highest number with 478. In the second place is infrastructure with 474 and third place is develop market and accessibility with 422. Also on top priority is skill workforce with 416.

Territories would achieve competitive and comparative advantages of different levels and magnitude with these top four priorities; of course education gives birth to skill workforce and as a result metamorphosed to competitive and comparative advantages – making the territories attractive to businesses and investors - create opportunities and accessibilities of various nature.

Overall, the result from the interview was successful with highest total mark giving to the top three priorities. Culture and cultural related comes in to the second tier level of the priority matrix. This means that with higher masculinity national culture – a direct correlation to higher risk taking, low power distance, time-matters-a-lot approach, it signifies that innovation is possible. This is atypical approach of entrepreneurial capability.

Low mark was giving to femininity characteristics which are opposite of second tier level priority matrix.

4. Conclusion

As a crucial part of competitive and comparative advantages and growth, territorial rotational innovation program is the solution EU should ascribe to. However to be innovative requires an integrated efforts across functions and usage of knowledge solutions and technological capabilities.

Many literatures have sourced the best practice for innovativeness by recognizing that it consist a structural formation while to some literatures, it is a cognitive foundations.

Giving the financial crises that is rocketing many countries especially in the EU; the corner stone to scale out of this crisis is for the Union to redirect its policies towards territorial innovativeness approach, in other to utilize all competencies and resources that exist within and outside Europe. As a principle, each EU territories has what they are good at and by rotating these cultural approach and available resources would enhance innovation that would be a comparative and comparative advantages. Of course, integrating different national cultures and other cultural norms and artefacts are very challenging. Many conflicts have element of cultural bias or wrong interpretation of cultural artefacts. As many authors wrote that culture is multi-layered and this means that, what you see on the surface may mask differences below the surface. It is like underground rivers that run through our lives and relationships, giving us messages that shape our perceptions, attributions, judgments, and ideas of self and other. Though cultures are powerful, they are often unconscious, influencing conflict and attempts to resolve conflict in imperceptible ways. However, if the Union top priority were to be competitive, a cogent mechanism would dilute the conflicts and create innovative solutions and spirit of entrepreneurship.

The research tested the notion amongst European Union citizens working in Luxembourg about what could be a driving force to achieve this initiative. They showed significant emphasize on education, infrastructure, market development and skilled workers at the very top and followed by national culture of masculinity. The respondents are expatriates with considerable experience to create innovativeness and entrepreneurship.

Even though the test question was not about countries, it was categorized regional according to UN country classification. The ratings of 1-5 were assigned towards the driving force rather than country specific. The respondent's opinion supports the research which is saying to use different cultures that exist in EU territories to drive innovation and innovative solutions.

References

1. Jankowicz, A. D. (2005) *Business Research Projects: 4th Ed.*: Thomson Learning: London England
2. Johnson, G. et al (2008) *Exploring Corporate Strategy: 8th Ed.*: Pearson Education Limited: England.
3. Jonathan, M. & John, G. S. (1994) *Unemployment in Europe*: Academic Press Limited: England.
4. Lazonick, W. (1990) *Competitive Advantage of the Shop Floor*: Harvard University Press: U.S.A.
5. Lam, A. (2002) *Alternative Societal Models of Learning and Innovation in the Knowledge Economy*. *International Social Science Journal* 17, pp. 67-82.

6. Mullins, L. J. (2010) Management & Organizational Behavior: 9th Ed.: Pearson Prentice Hall: U.S.A.
7. Schneider, S. C. and Barsoux, J L. (2003) Managing Across Cultures: 2nd Ed.: Pearson Prentice Hall: U.S.A.
8. [Http://unstats.un.org/unsd/methods/m49/m49regin.htm](http://unstats.un.org/unsd/methods/m49/m49regin.htm)

THE IMPACT OF CREATIVITY ELEMENTS ON EDUCATIONAL SERVICE QUALITY DIMENSIONS – AN EXPLORATORY STUDY OF ACADEMIC STAFF PERCEPTIONS IN DUHOK POLYTECHNIC UNIVERSITY

Farsat Ali SHABAN¹, Dilgash Q. Mohamed SALIH¹, Waleed Ali Hussein AL-ZAIDI²

¹ Duhok Polytechnic University, Duhok, Iraq

² Szent István University, Gödöllő, Hungary

E-mail: farsat.boti@yahoo.com

Summary: This study aims to determine the impact of creativity elements on educational service quality dimensions depending on the hypothetical scheme takes into account the correlation between two variables, and adopted two fundamental hypotheses to determine the impact and correlation between research variables. The theoretical side of the research was written by taking advantage of the literature of the relative subject. Duhok Polytechnic University in Iraqi-Kurdistan Regional has been chosen to conduct the field part of the study; research sample consist of 70 individuals of academic staff of the chosen university. A questionnaire has been developed to collect data and information on the field side, and through using statistical methods (frequencies, percentages, mean standard deviation, Spearman's rank correlation and regression analysis) The descriptive data have been analyzed and research hypotheses have been tested, the most important findings of the study was the emergence of attention and concern by the university to the concept of creativity reflected in their answers that creativity elements have a significant positive impact on educational service quality dimensions and a significant positive correlation has been proved between them as well. The study reached a set of proposals the most important is to try to take advantage of the strengths owned by the university regarding the elements of creativity that the results showed a clear impact on the services provided, especially originality and sensitivity to problems variables.

Keywords: creativity elements, educational service quality dimensions, higher education

1. Introduction

In today's competitive academic environment, higher education institutions all over the world face massive challenges. It is not a secret that higher education is more competitive than ever, because of the globalization and the new technology which affects all aspects of today's business environment especially in higher education sector. Quality of services which universities offer at present, become the matter which cannot be avoided. Service quality has been extended from business to education. Many universities have been affected by service quality both for teaching and administrative support functions. Universities struggling to get competitive advantage and this goal can be achieved through discovering new and creative methods in teaching and learning, and providing appropriate means and materials in order to offer the best services which characterized by flexibility and adaptability. The idea of this study comes from here. So the study tries to investigate the impact of creativity elements on educational service quality dimensions in Duhok Polytechnic University.

2. Research problem

The creativity dimensions are not the matter of consideration by academic staff in Duhok Polytechnic University which will affect the quality of services that university offer to their customers. And the result will be the failure of the university to compete in education business especially after the reforms in education system started by the ministry of higher education and scientific research in Kurdistan Regional Government.

The main question of this study will be as follow: Is there an impact of the creativity elements on educational service quality? We have two questions from the main question as follow:

First question: To what extent the academic staff in Duhok Polytechnic University is aware about the creativity elements in teaching process?

Second question: Is there an impact of the creativity elements on educational service quality?

3. Literature review

3.1. Elements of creativity

The role of creativity and creative employees for organizations' performance growth can not be overlooked in today's competitive dynamic world (Ul Hassan et al. 2013). Amabile (2012) defined creativity as the production of a novel and appropriate response, product, or solution to an open-ended task. John (2004) proposed creativity as the ability of people, and then the ability of employees, to combine ideas in a unique way or to make unusual associations between ideas. Creativity is the ability to think in ways and forms that are new, different and not seen in other individuals (Bosiok et al. 2013). By summarizing the above definitions and explanations, we can say that creativity is the ability of a person or employee to produce and generate useful and novel ideas concerning products, services, and processes or solving problems.

By reviewing previous studies and literature related to the topic of creativity, we could find that most of the researchers and authors are agree about these four main elements of creativity.

- 1- Originality: Originality is the quality that creates unique or extraordinary thoughts, unusual ideas, or the first of a kind Shively (2011).
- 2- Flexibility of thoughts: According to (El-Demerdash) is the individual's ability to change the method or suggest a variety of different approaches toward a problem or situation.
- 3- Fluency of ideas: The first step of creative endeavor or problem solving is having as many ideas as possible to choose from, research, or evaluate Shively (2011).
- 4- Problem Sensitivity: is an ability to determine problems and being aware about the needs for change or for new approaches or methods Se KIM, et al (2008).

3.2. Service Quality

The higher education industry all over the world has undergone massive growth in recent years, mainly to keep the moderate level of the proposed educational services. Service quality defined by Gržinić (2007) as the way to manage business processes in order to ensure customer satisfaction. The improvement of service quality in higher education institutions lies in the institution's ability to provide an overall climate and culture for change through its different operating systems, decision-making systems, and human resource practices Mosadeghard (2006).

Based on the deeply review, many dimensions of service quality have been founded by authors in different sectors, while the most widely accepted model by researchers is the five

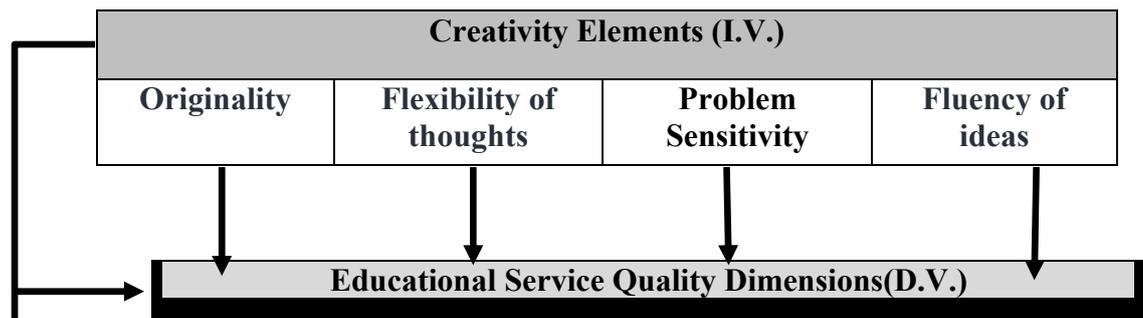
dimensions of service quality (SERVQUAL) which has been developed by Parasuraman et al. (1985). Firstly they determined ten dimensions of service quality. In a refined study in 1988, Parasuraman et al. reduced the number of service quality dimensions from ten to five, contending that these five components completely capture the service quality field. According to them, the five final service quality dimensions are Çerri (2012):

- 1- Reliability: ability to achieve the promised service accurately and dependability;
- 2- Responsiveness: readiness provide on time service;
- 3- Assurance: ability of a service firm to encourage trust and confidence through knowledge and courtesy of employees;
- 4- Tangibles: appearance of a service firm's physical facilities, equipment and appearance of employees;
- 5- Empathy: willingness and capability to give individualized attention to customers.

4. Methodology

The methodology of this study depends on the resources and previous studies to cover the theoretical part, while the practical part will be covered through statistical methods to analyze the collected data through Statistical Packages of the Social Science (SPSS).

4.1. Research framework



4.2. Research hypothesis

The researchers will try from the above framework to test these hypotheses:

H1: there is a significant correlation between the elements of creativity variables and educational service quality dimensions.

H1a: There is a significant correlation between fluency of ideas and educational service quality dimension.

H1b: There is a significant correlation between flexibility of thoughts and quality and educational service quality dimension

H1c: There is a significant correlation between sensitivity to problems and educational service quality dimensions.

H1d: There is a significant correlation between originality element and educational service quality dimensions.

H2: Creativity elements have a significant impact on educational service quality dimensions. And it is differ from one element to another.

H2a: Fluency of ideas has a significant positive impact on educational service quality dimensions

H2b: Flexibility of thoughts has a significant positive impact on educational service quality dimensions.

H2c: Problem sensitivity has a significant positive impact on educational service quality dimensions.

H2d: originality has a significant positive impact on educational service quality dimensions

4.3. Population and Sampling

Universities are the most crucial sources to enhance societies from successful and creative people, and the educated and developed societies are tied to the outputs of universities.

This study chooses Duhok Polytechnic University as a population of the study, because it is one of the newest universities in Kurdistan Region, and tries to improve its staffs and it pays a significant attention to the issue of service quality

While the sample of the study is the academic staff of the university.

A total of 80 questionnaires were distributed to the academic staff of the university. 70 completed usable questionnaires were collected representing a response rate of 87%.

The below table shows the analysis of demographic details of the survey respondents.

4.4. Data collection and data analysis

We used both primary and secondary data for this study. Primary data was collected through structured questionnaire. This method is good as it gives the researchers the opportunity to clarify any ambiguities in the instrument. The questionnaire was developed by the research team based on the literature review on the related topics.

The questionnaire consists of three parts; the first part contains information related to the demographic of the targeted survey participants.

The second section of the questionnaire looks for the measurement of independent variables (components of creativity). It contains (20) questions, for each component (5) questions.

The third part of the questionnaire holds the measurement of dependent variable (educational service quality dimensions). It includes (25) questions for each dimension (5) questions.

Two survey instruments used in this study to investigate the correlation between dependent and independent variables. The respondents of this questionnaire will rank questions based on a five-point Likert scale.

This part includes testing both correlation hypothesis and impact hypothesis of the study.

4.5. First: Testing correlation hypothesis

The content of the first main hypothesis indicates that there is a significant correlation between the elements of creativity variables and educational service quality dimensions.

Table (1). The values of simple correlation coefficient between the elements of creativity variables and educational service quality dimensions

I.V. (Creativity elements)	Originality	Problem Sensitivity	Flexibility of thoughts	Fluency of ideas	Total index
D.V. (educational service quality)	**0.427	**0.409	**0.147	**0.281	**0.429

N= 70 0.01 ≤** P

The results from table (1) show that there is a significant positive correlation between the elements of creativity as independent variables and educational service quality dimensions as dependent variable, the strength of the correlation coefficient (total index) for them reached (0.429) at the significant level (0.01), as the table indicates that the strength of the correlation coefficient varies from one variable to another. Originality variable received the highest value

among the independent variables and the value of the correlation coefficient (0.427) at the significant level (0.01), followed by the sensitivity to the problems variable, which the value of the correlation coefficient reached (0.409) at the significant level (0.01) fluency variable comes thirdly reaching the value of the correlation coefficient (0.281) at the significant level (0.01). The correlation between flexibility of thoughts variable and service quality dimensions also positive but it is less correlated than the other three variables, the value of the correlation coefficient of the flexibility variable (0.147) at the significant level (0.01). Thus the first main hypothesis is accepted which states (there is a significant correlation between the elements of creativity combined and educational service quality dimensions). Similarly, the first group of sub-hypothesis are accepted based on the finding in table (2):

4.6. Second: Testing impact hypothesis

The content of the second main hypothesis indicates that elements of creativity variables have a significant impact on educational service quality dimensions.

Table (2): analysis of correlation impact of combined creativity elements on educational service quality dimensions

I.V. (Creativity elements)	Beta	B	R ²	T	F	Significant level
D.V. (educational service quality)	0.472	0.585	0.18	3.919	15.360	0.000

$P \leq 0.01$ N= 70 df= 70 -1

The results from the above table which is concerning to the results of regression analysis which shows that there is a significant positive impact of independent variables (combined elements of creativity) as explanatory variables on educational service quality dimensions as responsive variables. Which indicates by results of analysis of regression coefficient (B) and the value of (F-test) that is (15.360) and the significance level of (P-value) is (0.000) which is less than the statistical significance level of this study which is (0.01). Through noticing the value of (B) which is (0.585) with support of (T) show that the value of (T-test) is (3.919) and the significance level is (0.000), it is a positive significant level at significant level (0.01).

Thus the second main hypothesis is accepted which states (the elements of creativity variables have a significant impact on educational service quality dimensions)

While the impact correlation of each element of creativity separately on educational service quality dimensions illustrated in table (3).

Table (3): Analysis of impact correlation of the elements of creativity on educational service quality dimensions

I.V. (Creativity elements)	D.V. (educational service quality dimensions)					
	F	T	R ²	B	Beta	Sig.
Fluency of ideas	5.821	2.413	0.079	0.462	0.281	0.009
Flexibility of thoughts	1.500	3.783	0.022	0.236	0.146	0.000
Problem Sensitivity	13.662	3.696	0.167	0.565	0.409	0.003
Originality	19.446	4.410	0.222	0.587	0.472	0.000

$P \leq 0.01$ N= 70 df= 1- 70

The findings in table (3) shows that there is significant positive impact of the first variable of the elements of creativity (fluency of ideas) on the educational service quality dimensions which indicates by results of analysis of regression coefficient (B) and the value of (F-test) that is (5.821) and the significance level is (0.009) which is less than the statistical significance level of this study which is (0.01). Supported by the value of the coefficient of determination R² which is (0.079) this means that the fluency variable contribute and interpret (7.9%) of the variation founded in educational service quality variable. Through observing the value of (B) which is (0.585) with support of (T) show that the value of (T-test) is (3.919) and the significance level is (0.000), it is a positive significant level at significant level (0.01). Thus the second sub-hypothesis is accepted, which states (there is a significant positive impact of the first variable of the elements of creativity (fluency of ideas) on the educational service quality dimensions. Likewise, the second group of sub-hypotheses are accepted depending on the results of Table 6.

5. Conclusion

Because of the complexities of this era and high competitiveness in business environment, this impacted heavily on the organizations in general and service organizations in particular, organizations who are working in service sector especially universities are looking for the necessary and modern mechanisms in order to achieve the quality of their services. Organizations that have encouraged and stimulated their individuals to adopt creative ways and methods are able to provide the educational services that characterized by appropriate quality and distinguish their services from their competitors. And through the four elements of creativity (fluency, flexibility, problem sensitivity and originality) organizations can improve the quality of service provided. These four elements considered as a roadmap for organizations that interested in the concept of creativity and tend to provide a service with adequate quality.

References

1. Amabile, (2012). Componential Theory of Creativity, Harvard Business School, Encyclopedia of Management Theory (Eric H. Kessler, Ed.), Sage Publications, 2013.
2. Bosiok, et al. (2013). Leadership styles and creativity, Online Journal of Applied Knowledge Management, Volume 1, Issue2.
3. Çerri (2012), Assessing the quality of higher education services using a modified servqual scale, Annales Universitatis Apulensis Series Oeconomica, 14(2).
4. Herrmann, (1999). Creativity, Innovation, are they different? Do we need both? From Focus Volume 10, Number 3.
5. Imran et al (2011). Transformational leadership as a predictor of Innovative work behavior: Mediated by Gender, World applied sciences journal, 14 (5): 750-795.
6. Jusoh et al (2004). Service quality in higher education: Management students' perspective, Research Management Centre, University of Technology Malaysia, VOT 71982.
7. Gržinić (2007), Concepts of service quality measurement in hotel industry, EKON. MISAO PRAKSA DBK. GOD XVI. BR. 1. (81-98)
8. Kabir and Carlsson (2010), Service Quality, Master thesis, Gotland University.
9. Lee and Tan (2012). The influence of antecedents on employee creativity and employee performance: A meta-analytic review, Interdisciplinary journal of contemporary research business, Vol 4, NO 2.

10. Parasuraman A, Zeithaml VA, Berry LL (1988). SERVQUAL: A multipleitem scale for measuring consumer perceptions of service quality. *J. Retailing*. 64(1): 12-40.
11. Prasad and Kumar Jha, (2013), Quality Measures in Higher Education: A Review and Conceptual Model, *Journal of Research in Business and Management*, Volumel- Issue 3.
12. Shauchenka (2014), Methodology and measurement system for higher education service quality estimation, *International Conference on Educational Technologies and Education*. 978-1-61804
13. Se KIM, Sook KIM, and Ae PARK (2008). Training programs for cognitive components of creativity, *International conference on engineering and product design education*, Barcelona,
14. Shively (2011). *Grow Creativity*, ISTE (International Society for Technology in Education), U.S.
15. Ul Hassan et al. (2013), measuring employee creativity and its impact on organization innovation capability and performance in the Banking sector of Pakistan, *World Applied Sciences Journal* 24 (7): 949-959.

CORPORATE SOCIAL RESPONSIBILITY AS AN ELEMENT OF THE STRATEGIES OF SMEs IN POLAND

Felicjan BYLOK

Czestochowa University of Technology, Czestochowa, Poland

E-mail: bylokfelicjan@gmail.com

Summary: In the modern-day economy, the success of an enterprise is increasingly decided on by ethical issues. Consumers more and more frequently search for products that are manufactured in an ethical way, namely by fair means and not harmful to the natural environment. In response to this, enterprises are undertaking action in the sphere of building socially responsible firms whose bases are those of values and ethical norms. Corporate Social Responsibility (CSR) signifies long-term action that is directed towards the internal and external environment. With regard to the importance of the problematic issues of ethics in the business activities of enterprises, the main aim of this paper has been set out as the presentation of the theoretical and empirical ways of utilizing the concepts of corporate social responsibility in the development of small and medium-sized enterprises. The principal aim of the herein paper is the search for answers to the following research questions: In what sphere are the assumptions of CSR an element of the strategies of small and medium-sized enterprises?

Key words: corporate social responsibility, small and medium-sized enterprises, strategy, business ethics

1. Introduction

In the contemporary market, the success of an enterprise is increasingly decided on by its image that is built on the basis of ethical values. One of the important ethical values is that of responsibility, which in an ethical notion signifies the relations between the deed of the entity and the moral awareness, however in economic life this takes on the form of the moral consequences of fulfilling deeds in economic activities. Enterprises are increasingly running undertakings in the sphere of building socially responsible firms. Simultaneously, the intricacy of the socially responsible firms and its significance for the market position held indicates that the activities of CSR should be entered into the strategy of the activities of enterprises in a deliberate and coordinated manner, particularly in the case of small and medium-sized enterprises.

With regard to the significance of the problematic issues of ethics in terms of the activities of enterprises, the main aim of this paper has been stipulated as the search for the answers to the following research question: In what sphere are the assumptions of CSR an element of the strategies of small and medium-sized enterprises?

2. Corporate Social Responsibility as a strategy for enterprises

In literature devoted to corporate social responsibility, various approaches to defining this concept have appeared. One of these approaches is the micro-social approach, in which the authors place emphasis on the personal obligation of the owner/entrepreneur with regard to the environment and macro-social approach in treating corporate social responsibility as an element of the strategy of sustainable growth. The first group includes

the notion of the Ethos Institute (2007, p. 78), according to which corporate social responsibility is a form of management that is defined by the ethical relationship and transparency of the company with all the stakeholders with whom it has a relationship, as well as with the establishment of corporate goals that are compatible with the sustainable development of society, preserving environmental and cultural resources for future generations, respecting diversity and promoting the reduction of social problems. In the micro-social approach, emphasis is placed on the socially broader consequences of the business activities of enterprises. Hence, the implementation of CSR is placing greater emphasis on social and ethical effects, as well as ecological activity in terms of the decisions of managers as they have an impact on the evaluation of the activities of firms, as well as on the demand for their products.

The second group of definitions for CSR is featured by the macro-social approach, in which it is perceived as an element of the concept of sustainable growth for the economy. Such an approach is exemplified by the definition of CSR formulated by the World Business Council, according to whom social responsibility is the obligation of business to lead to the sustainable growth of the economy by means of work with the employed and their families, the local community and society as a whole with the aim of increasing the level of quality of their lives (Kietliński, Reyez and Oleksyn, 2005, p.132). In this notion, emphasis is placed on the obligation of entrepreneurs/owners to undertake action on behalf of increasing the prosperity of society.

CSR is not merely an addition to the activities of enterprises on the market, but is also becoming its strategic element. McWilliams, Siegel and Wright (2005) claim that the theory of CSR has several strategic implications. Firstly, it may be an integral business and corporate element in the strategies of the firm in spite of the fact that it is not directly associated with the process of production or provision of services. Secondly, it may be perceived as a form of building the reputation of enterprises on the market. Thirdly, it may constitute the basis for the generation of predictions relating to the effectiveness of investments in CSR.

The concept of CSR is becoming more and more frequently an element of strategy in enterprises. For instance, the model of strategy by Harvard Business School acknowledges social responsibility as the principal element in the creation of the corporate strategy (Husted and Allen, 2000). Likewise, Molteni (2006) is of the opinion that social responsibility should be part of the strategy of a firm as it may help in finding innovative production solutions based on the expectations of the interested parties, by means of which it may become a significant factor in the increased competitiveness of the enterprise. In order for CSR to become part of the strategies of enterprises, it should include four basic elements as follows: (a) structure of industry, (b) internal resources of the firm, (c) corporation ideologies and values, and (d) the relationship with stakeholders (de Sousa Filho, Wanderley, Gómez and Farache, 2010, p.296).

The benefits that a firm achieves from the fact of being socially responsible has an impact on the decision to build a strategy of social responsibility. Husted and Salazar (2006) analysed the strategies of CSR in firms in the direction of maximization of both profits and social efficiency. The authors in question defined three types of motivation that influence the decision to become involved in social activities as follows: altruism, “coerced egoism,” and the strategic use of CSR. In the case of altruism, firms sincerely want to be socially responsible regardless of whether they gain benefits from such activities or not. In turn, “coerced egoism” has an impact on the socially responsible activities only when firms are forced to implement the assumptions of CSR by directives and other legislative acts or external factors. Nevertheless, the strategic use of CSR as a strategic investment takes place in the case of attaining both profits and benefits to society

and the local community. Likewise, Siegel and Vitaliano (2007) claim that firms become involved in CSR due to the strategic maximization of profit. Thanks to CSR, this is easily integrated into a firm's differentiation strategy.

3. Social responsibility of small and medium-sized enterprises in light of research

3.1 Position of concept of CSR in the strategies of enterprises from sector of SMEs

Research on the opinions of entrepreneurs and managers on the issue of the scope of applying the principles of social responsibility in economic activity was executed in 2015 and encompassed 40 micro-sized enterprises (0–9 employees), 31 small enterprises (10–49 employees) and 37 medium-sized enterprises (50–249 employees) in terms of enterprises running business activities in the province of Silesia. Over 46% of those surveyed ran business activities in mixed sectors, which is characteristic of all small and medium-sized entities on a national scale. A significantly lower percentage was witnessed in the enterprises dealing with wholesale and retail trade (32%), as well as manufacturing activity (22%).

Strategic management in the case of the sector of SMEs, particularly in the sphere of CSR is a great challenge. Research on small and medium-sized enterprises in Poland reveals that the percentage of those that have documentation stipulating the key categories of strategy such as vision, mission and values of an enterprise is relatively low (evaluation of the state of implementing standards of CSR. The set of indicators of social responsibility in micro-sized, small and medium-sized enterprises, 2011). Such an illustration in the sphere of strategy is confirmed in the research run by the author on the sphere of the application of CSR in small and medium-sized enterprises. Research indicates that 18% of enterprises had their vision registered in documentation, whereas 17% in the case of small enterprises and 24% of medium-sized enterprises. In turn, the mission was written in documentation in the case of 24% of micro-sized enterprises, 19 % of small enterprises and 21% of medium-sized enterprises. Likewise, the values of the firm were written in documentation only in the case of every fifth enterprise under analysis.

In the context of analysis of the areas where CSR occurs in enterprises, it is worth analysing the types of aspects of CSR that appear in the strategic documents of firms. The research of the author reveals that in terms of the documents containing the vision, mission and values in a significant proportion of the analysed enterprises the issues of CSR are touched on.

In Table 1, the aspects related to in documents are illustrated which include the mission, vision and values of enterprises. The afore-mentioned layout results from the fact that the greatest emphasis was placed by the analysed enterprises on the organization of work in the firm and on the relations with consumers. Although there was a reference to the categories of the rights of man, the natural environment and social involvement in all the enterprises under analysis, their frequency was relatively minute.

By way of conclusion, it is possible to state that a multitude of enterprises from the sector of SMEs do not possess documentation relating to the vision, mission and values, however in the case of those that declare the existence of such documentation, their content stipulates the principles of CSR implemented in a certain way, mainly in terms of the areas of relations with consumers, relations with employees, organization of work and honest market practices in terms of relations with trading partners and business partners.

Table 1: Aspects of CSR related to in documents stipulating the mission, vision and values of enterprises from sector of SMEs

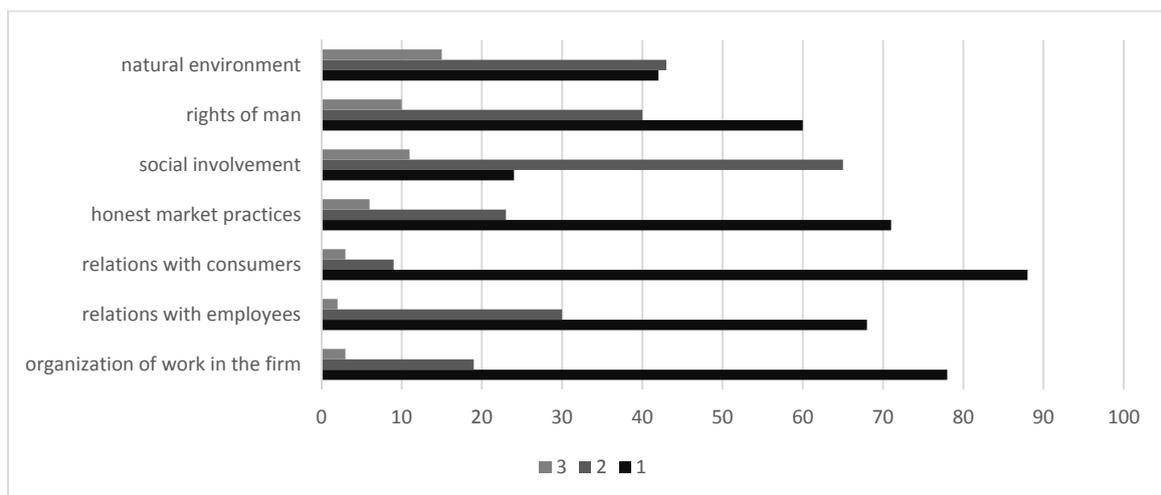
Aspects	Percentage of enterprises in which the particular aspects are related to		
	Micro-sized enterprises	Small enterprises	Medium-sized enterprises
Organization of work in the firm (organizational structure)	28	24	26
Relations with employees	24	18	19
Relations with consumers	25	21	24
Honest market practices in relations with trading partners, business partners	20	17	19
Social involvement – action on behalf of local communities	11	10	9
Rights of man	20	14	19
Natural environment	18	11	11

Source: Self-analysis

3.2 Areas of social responsibility in the business activities of small and medium-sized enterprises

On the basis of the results of research, it is possible to indicate the areas of executing socially responsible activities, whose development is on the one hand, very important from the viewpoint of the social aspect, while on the other hand it may bring both tangible and image benefits for micro-scale, small and medium-scale enterprises. Quazi and O’Brien (2000) in their typology of CSR attributed a particular role to the modern approach to social responsibility, in which a significant position is held by the relations with external stakeholders.

Figure 1: Significance of particular areas of CSR in analysed enterprises in %



Legend: 1- key for development of business, 2- important, but not decisive in terms of development of business, insignificant in terms of development of business, 3- insignificant in terms of development of business. (Source: Self-analysis)

Research on the scope of applying the concept of CSR in SMEs reveals that the market relations with consumer and trading partners, as well as business partners are of the greatest

significance for their business activities (Fig.1). This approach is to a large extent convergent with the concept of stakeholders as the broadened perspective of viewing an organization. Despite the relatively small scope of implementation of the concept of CSR in the strategies of the business activities of small and medium-sized enterprises, the managers and owners of SMEs are to a large extent applying the chosen assumptions of CSR in practice. In addition, they are declaring the increased level of interest in this concept. Research on SMEs indicates that firms are planning to increase their level of involvement in certain areas of responsibility in business. They are first and foremost planning to operate in a socially responsible manner in terms of relations with clients (74%), relations with employees (63%), organization of work in the firm (54%) and apply honest practices with business partners (45%). Interestingly, they are relatively more seldom planning to become involved in social terms in activities on behalf of the local communities (28%). Thus, managers are noting the significance of good relations with stakeholders that have the greatest impact on the success of enterprises, consumers and employees.

4. Conclusion

The results of the research carried out have facilitated the definition of the scope of applications of solutions characteristic for CSR in the strategies of firms, as well as in their business activities. In spite of the benefits that come with the application of the principles of CSR in economic practice, a multitude of small and medium-sized enterprises have not implemented them into their business activities. This is the consequence of the existence of many barriers that mainly relate to the areas of knowledge and perception of the essence of CSR, the skills of this sphere at their disposal, the lack of time for such activities and their perception as excessively costly. In order for the concept of CSR to be applied on a broader scale, changes must take place in the awareness of managers and owners of small and medium-sized enterprises in the direction of noting the need to create the strategy of social responsibility for enterprises of a small scale of business activities.

References

1. de Sousa Filho J.M., Outtes Wanderley L.S., Gómez C.P., Farache F.(2010): Strategic Corporate Social Responsibility Management for Competitive Advantage, *Brazilian Administration Review*, v. 7, n.3, pp. 294-309, <http://www.anpad.org.br/bar> (see 29.04.2015)
2. Ethos Instituto de Empresas e Responsabilidade Social (2007): Indicadores Ethos de responsabilidade social – Versão, Retrieved February 12, 2007 Retrieved from http://www.ethos.org.br/_Uniethos/documents/Indicadores_2007_PORTUGUES.pdf
3. Husted B. W., Salazar J.J. (2006): Taking Friedman Seriously: Maximizing Profits and Social Performance, *Journal of Management Studies*, 43 (1), p. 75-91.
4. Kietliński K., Reyez V.M., Oleksyn T. (2005): *Etyka w biznesie i zarządzaniu*, Oficyna Ekonomiczna, Kraków.
5. McWilliams A., Siegel D.S., Wright P.M. (2005): Corporate Social Responsibility: Strategic Implications, *Rensselaer Working Papers in Economics*, Retrieved from <http://www.economics.rpi.edu/workingpapers/rpi0506.pdf> (see 29.04.2015)
6. Molteni M. (2006): The social-competitive innovation pyramid, *Corporate Governance*, 6(4), P. 516- 526.
7. Ocena stanu wdrażania standardów społecznej odpowiedzialności biznesu. Zestaw wskaźników społecznej odpowiedzialności w mikro, małych, średnich oraz dużych przedsiębiorstwach (2011): MillwardBrown SMG/ KRC, PwC dla PARP, Warszawa, Retrieved from <http://badania.parp.gov.pl./files/74/75/77/13079.pdf>.

8. Quazi A. M., O'Brien D. (2000) An Empirical Test of a Cross-national Model of Corporate Social Responsibility, *Journal of Business Ethics*, 25, P. 33–51.
9. Siegel D. S.; Vitaliano D. F. (2007): An Empirical Analysis of the Strategic Use of Corporate Social Responsibility, *Journal of Economics and Management Strategy*, 16, (3), p. 773-92

THE HUMAN RESOURCES DIMENSION OF CORPORATE SOCIAL RESPONSIBILITY IN A STRATEGIC APPROACH

Diana Corina GLIGOR-CIMPOIERU

West University of Timișoara, Timișoara, Romania

E-mail: diana.gligor@e-uvt.ro

Summary: In past decades Corporate Social Responsibility (CSR) has captured the interest of both practitioners and academics, but in spite of all the CSR studies and CSR programs implemented the concept is still not fully understood from its perspective of long-term managerial and decision making implications. We argue that one of the main causes of the debates and controversies concerning CSR are generated by the existing perception of CSR from a philanthropic perception and the lack of a strategic approach.

With this paper, a view of the strategic approach to CSR is presented, emphasizing the elements concerning the human resources management, as a solution for successful CSR.

For the applicative part of the paper, I present a methodology elaborated for the evaluation of the human resources dimension of CSR in a strategic approach and the results obtain in evaluating a business organization.

Keywords: corporate social responsibility, strategic approach, stakeholders, human resources

1. The meaning and the importance of a strategic approach to CSR

Although the practice of CSR is not a new one, existing from our perspective inherently, in one way or another, since the beginning of the business activity and although the concept of CSR is no longer perceived as a “new” and “fashionable” one, becoming main stream for decades now for lots of successful business organization of various sized and operating in various fields of activity. It could be noticed that there are still enough controversies and debates concerning CSR, with fervent supporters and contra supporters of the concept.

Since 1953, when Howard R. Bowen first brought into attention the notion of CSR mentioning the responsibilities of a businessman, trough literature review we found out that constantly a need for a strategic approach was noticed. For instance (to mention just few of the studied bibliographical resources), Peter Drucker in 1954 was also acknowledging the importance of social responsibility and later on in the '60, Davis and Blomstrom were considering that social responsibility had the potential of bringing long term benefits. In the '70s, Harold Johnson considered that the managers of a responsible business organization put in balance a multiplicity of interests when making a decision, thus underlining the importance of the entities that could affect or could be affected by the activity of a business organization (the so called stakeholders). In 1975, Preston and Post were discussing about the fact that social responsibility at that time was consisting of a ”large number of different, and not always consistent, usages” and later on in 1986, by Murray and Montanary where underlining that “although management scholars recognize that corporate social responsibility has strategic implications for the firm, few have focused on the interdependent and dynamic relationships among the firm and the relevant actors in its social environment”. The fact that economic and social objectives were so long perceived as being distinct and opposite for business organizations was representing a false dichotomy according Porter and Kramer (2002) and even more, the authors stated that in a long-term approach “social and economic goals are not inherently conflicting, but integrally connected”. In 2004, Graafland et al. were

considering that the long term value creation concerns three dimensions (the Triple P bottom line): Profit – the economic dimension, People – the social dimension and Planet – the ecological dimension. In 2005, Philip Kotler and Nancy Lee very well pointed out some of the most important characteristics of a strategic approach, versus a traditional one based mostly of philanthropic activities. In 2006, Porter and Kramer published another article analysing the link between the social involvement and the competitive advantages stating that “the prevailing approaches to social responsibility are so fragmented and so disconnected from the business and strategy” that “they obscure many of the greatest opportunities” and that by treating their social initiatives as they treat their core business choices businesses could gain competitive advantages. In 2009, Málovics G. very well underlines the particularities of implementing CSR programs in SME’s, presenting multiple benefits and cost associated to CSR implementation for a SME. Porter and Kramer where publishing in 2011, an article suporting the need for „a new form of capitalism” and underlining the importance of creating „share value” – common value for business and society. In 2012, Perez-Batres et al. were presenting the issue of those who use CSR initiatives only as a way for misleading stakeholders in order to misguide attention from severe problems (actions called greenwashing) considered to represent “symbolic” initiatives of CSR from those initiatives truly committed, called “substantive” initiatives. In 2015, Amaeshi and al. are addressing the situation of CSR practices that “go beyond philanthropy and in some instances involve institutional works aimed at addressing some of the institutional gaps in the environments where these SMEs operate”.

Based on the literature review the following key elements that define a strategic approach when implementing CSR programs have been identified: correlation of the implemented CSR programs with the core activity of the business organization, long term sustainability of the support for a certain cause, chosen a cause to support accordingly to the main stakeholders expectations, implementing the CSR program based on a plan well articulated, existence of long-term partnership in local communities or with civil society, evaluation and feed-back have a significant importance, reporting of CSR results is transparent and easily available (Gligor-Cimpoieru and Munteanu, 2013).

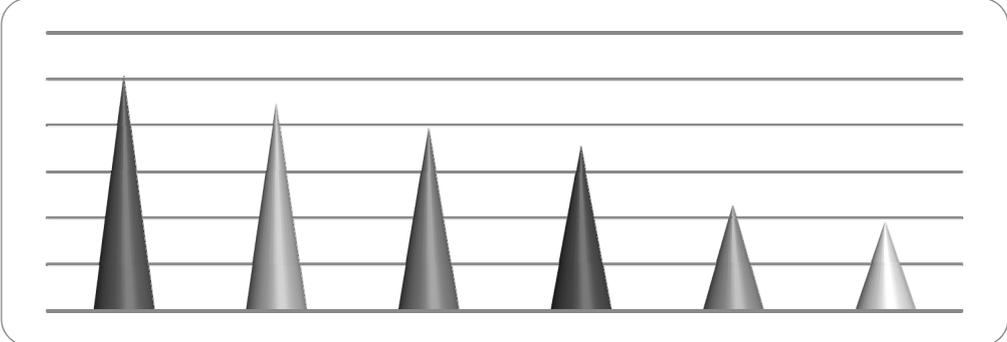
2. The human resources dimension of CSR and its evaluation in a strategic approach

In a strategic approach analysing the relationship that the business organization has with various categories or primary and secondary stakeholders, it is considered that employees represent a very important and particular category of primary stakeholders especially due to the fact that in a knowledge based society employees are becoming more and more the most important active that a business organization holds with the capacity of possessing and generating knowledge. Crăciun (2003), comparing the relationships that a business organization has with two very important categories of primary stakeholders – clients and employees – considers that the relationships with the employees are more complex, being given the personal nature of these exchanges, and while the proprietors or the shareholders “nominally have all the material and immaterial goods of the firm, the employees effectively constitute a corporation”.

Based on the literature review of this theoretical aspect I have elaborated a questionnaire that represents an evaluating tool of the human resources dimension of CSR. When using the proposed research methodology for a business organization with 14 employees operating in the health care industry, that we will call in our paper Enterprise A, the obtained results proved to be a useful tool for addressing CSR initiatives. The first questions were designed to determine a few characteristics of the respondent’s profile (65% of the respondents had an executive position and more that 85% were employees of for more than one year and less than

five years) and the following questions were designed to evaluate the employee’s perception concerning some on the most important primary and secondary stakeholders of the business organization.

Figure 1: The hierarchy of primary stakeholders according to employee’s perception



Source: by author

Questions 5 – 11 of the questionnaire were designed to evaluate various aspects of the human resources dimension of CSR. Each of these human resources management aspects has ethical implications that we consider an indicator for the measure in which Enterprise A is being socially responsible toward its employees.

Table 1: Key aspects of the human resources dimension of CSR

Criteria	Aspects of the human resources dimension of CSR	Results for Enterprise A
1.	Working conditions	50% of the employees consider them to be good and almost 30% consider them to be very good
2.	The possibilities of professional development	Half of the respondents consider the possibilities for professional development to be good or very good, more than 40% of them to be average or satisfactory.
3.	The possibilities of personal development	Were evaluated by more 40% of the respondents as being good or very good, by almost 30% of them as being average, by more than 20% as satisfactory
4.	The number of cases of discrimination	Is evaluated by half of the respondents as being low and very low or inexistent by more than 40% of them
5.	The number of harassment cases	Is considered by almost 80% of employees as being very low or inexistent and by more than 20%
6.	The situation of respecting the equality of chances	Is evaluated by almost 43% as being good, by almost 29% as satisfactory, and by an equal percent of 14.3% from the respondents as very good, respectively average
7.	The equitability of remuneration	Is evaluated by almost 43% of the respondents as being good, by 29% as satisfactory, and by an equal percent of 14.3% from the respondents as very good or average
8.	The fairness of procedures for hiring, promoting, sanctioning or dismissing employees	Almost 43% of the employees considered fairness as being at an average level, approximately 29% of them consider it to be good and 21% considerate it to be that satisfactory
9.	The overall confidentiality	Approximately 36% of the employees consider confidentially as being good and 21% as being very good. The rest of the respondents consider it satisfactory (28.6% of the respondents) or average (14.3% of the respondents)

Source: by author

Questions no. 12-18 were designed to analyse particular aspects of the confidentiality between Enterprise A and its employees. Confidentiality was perceived inside a business organization as being a bivalent relationship between the employees and the employer. Employee’s rights of confidentiality must be respected, but at the same time, employees have a duty to respect the confidentiality regarding the firm’s activity.

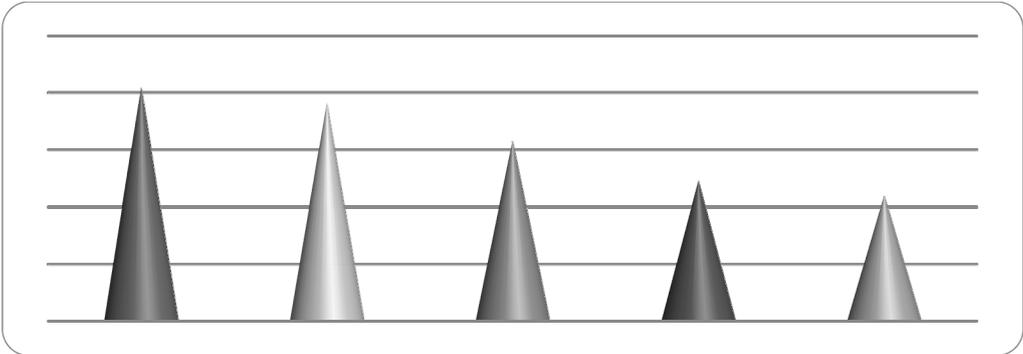
Table 2. Key aspects of confidentiality

Crt.	Aspects of confidentiality	Results for Enterprise A
1.	The use of computer data bases	A large percent of the respondents (more than 71%) declared that they are not aware if the enterprise uses or not computer data bases containing information about them
2.	The test applied to the employees	Only one response declaring that drug tests, alcohol test or AIDS test are applied. None of the respondents declared the use of polygraph or honesty tests for the employees, neither pregnancy test (in Romania the employer’s requirement for this type of testis forbidden by the law)
3.	How ethical they consider that the uses of these different types of tests is	None of the respondents considers that applying polygraph or honesty tests and pregnancy test would be an ethical act, over 90% of the respondents declared that the requirement for appliance of AIDS tests would be an unethical act, almost 54% of respondents perceive the use of drug test as not being ethical, and the type test perceived by more than half of the respondents (by almost 54% of them) as being ethical to be required is the alcohol test
4.	The information and the knowledge acquired is private property of the firm	Almost every employee declared that she/he treats them as private property
5.	Whistle – blowing	Almost every employee declared that she/he, and all declared that if they would be in a situation to discover a severe misconduct within the enterprise they would report it internally

Source: by author

The transparency of decisions within Enterprise A is most often evaluated as satisfactory or average, but we can notice the fact that we had few respondents evaluating it as being good or very good, or unsatisfactory. All of the respondents declared that the firm has a code of ethics or a code of conduct. Then we have analysed the employee’s perception on the most important CSR benefits (represented by Figure 2) and CSR costs (represented by Figure 3).

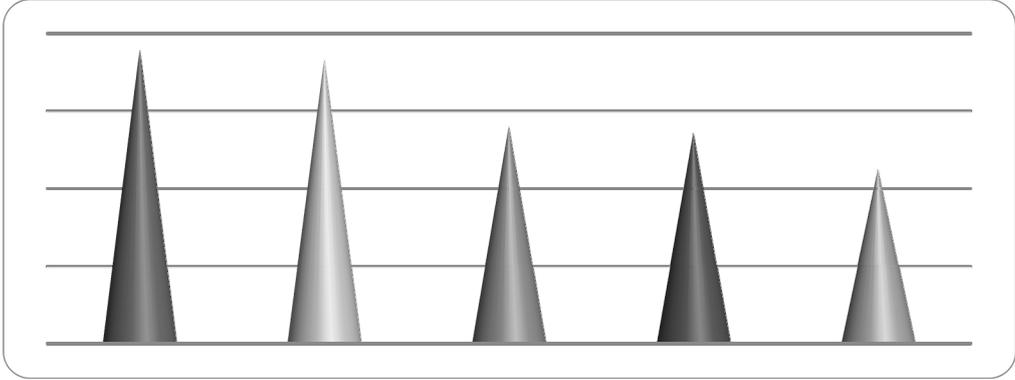
Figure 2. The hierarchy of corporate social responsibility associated benefits (or opportunities) according to employee’s perception



Source: by author

We can notice the fact that the benefit of corporate social responsibility that is considered by employees as being the most significant is the one of better relations with employees and the cost perceived by employees as being the most significant is the financial cost, followed by the cost associated to not choosing appropriately the CSR programs to be implemented.

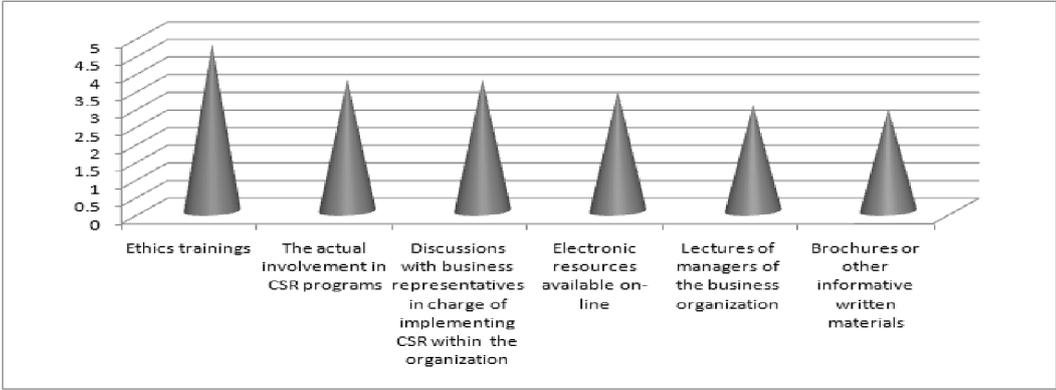
Figure 3. The hierarchy of corporate social responsibility associated costs (or risks) according to employee's perception



Source: by author

The final aspect analysed by our study is referring to the methods that could be used for promoting business ethics principles within the firm.

Figure 4. The hierarchy of most efficient methods used for promoting business ethics principles within the firm according to employee's perception



Source: by author

We can noticed from the above representation that the method considered the most efficient one by the employees is represented by ethics trainings, followed by the actual involvement in corporate social responsibility programs and the methods perceived as being the least efficient ones are the lectures of managers and brochures or other informative written materials.

3. Conclusions and recommendations

CSR programs can only be successful if they are implemented in a strategic approach, with a great focus on the human resources dimension of CSR as a key element of a strategic approach to CSR. The most important contributions that our paper brings from a theoretical point of view are represented by underlining the importance of long-term perspective on CSR and making a connection between CSR implementation and important aspects of the human

resources management with strong ethical implication. For the practical part, our paper proposed a specific research methodology offered as an evaluation tool for the management of the analysed business organization. For the studied enterprise, several conclusions and recommendations could be formulated based on the obtained results. The proposed research methodology was already used for evaluation in several business organizations and proved a useful tool for managers in their quest for an approach to CSR closer to a strategic one, and future research will offer an improvement of this proposed methodology.

Acknowledgment

This work was supported from the European Social Fund through Sectorial Operational Programme Human Resources Development 2007 – 2013, project number POSDRU/159/1.5/S/134197, project title “Performance and Excellence in Postdoctoral Research in Romanian Economics Science Domain”.

References

1. Amaeshi K., Adegbite E., Ogbechie C., Idemudia U., Anderson K., Kan S., Issa M., Anakwue O., (2015): Corporate Social Responsibility in SMEs: A Shift from Philanthropy to Institutional Works?, “*Journal of Business Ethics*”, Published on-line 31 March 2015
2. Bowen, H.R. (1953): *Social Responsibilities of the Businessman*, New York: Harper & Row
3. Crăciun D. (2003): *Etică în afaceri*, Ed. Economică, București
4. Davis K., Blomstrom R.L., (1966) *Business and the Environment*, Ed. McGraw Hill, New York
5. Drucker, P. F., (1954): *The practice of management*, New York: Harper & Row
6. Gligor-Cimpoieru D., Munteanu V. P., (2013): *The Strategic Approach of CSR for The Banking System in Romania*, CSR Trends Beyond Business as Usual, Editor Janusz Reichel, CSR Impact, Lodz, Polonia
7. Graafland, J.J., Eijffinger, S.C.W. SmidJohan, H. (2004): Benchmarking of Corporate Social Responsibility: Methodological Problems and Robustness, “*Journal of Business Ethics*”, 53 (1-2), 51-71
8. Johnson, H. L., (1971): *Business in contemporary society: Framework and issues*, Belmont: Wadsworth
9. Kotler, P., Lee, N. (2005): *Corporate Social Responsibility – Doing the Most Good for Your Company and Your Cause*, New Jersey: John Wiley & Sons
10. Murray, K.B., Montanary, J.R., (1986): Strategic Management of the Socially Responsible Firm: Integrating Management and Marketing Theory, “*Academy of Management Review*” 11(4), pp.815-827
11. Perez-Batres, L. A., Doh, J., Miller, V. & Pisani M. J. (2012): Stakeholder Pressures as Determinants of CSR Strategic Choice: Why do Firms Choose Symbolic Versus Substantive Self-Regulatory Codes of Conduct?, “*Journal of Business Ethics*”, 110 (2), pp.157-172
12. Porter, M. E., Kramer, M.R.(2002): The Competitive Advantage of Corporate Philanthropy, “*Harvard Business Review*”, 80 (12), 56-69
13. Porter, M. E., Kramer, M.R. (2006): Strategy & society: The link between competitive advantage and corporate social responsibility, “*Harvard Business Review*”, 84(12), 78–92
14. Porter, M. E., Kramer, M.R. (2011): *Creating Shared Value*, “*Harvard Business Review*”,
15. Preston, L., Post J., (1975): *Private Management and Public Policy: The Principle of Public Responsibility*, New Jersey: Prentice Hall

SOCIALLY RESPONSIBLE MANAGEMENT IN RESPECT OF EMPLOYMENT

Joanna GAJDA

Czestochowa University of Technology, Czestochowa, Poland

E-mail: joannagajda@vp.pl

Summary: For some time, one can observe a growing interest in business management concept involving deliberate action focused not only on financial gain but also on wider interests of society. Demand for knowledge of the corporate social responsibility makes this subject so current that it can be integrated into this article.

Nowadays, the environment of organization is characterized by volatility, forcing it to focus on its resources and on achieving goals. Due to unpredictability of environment, organizations recognize the problem associated with acquiring and maintaining necessary human resources. From management perspective, putting the principles of CSR into practice involves understanding and integration into organization's management strategy changing social expectations, based on continuous cooperation with stakeholders of the organization. One of decisive factors contributing to the realization of its priorities is employees. The concept of CSR has many areas that are within the range of current activities of the organization. One of them is human resource management. The main objective of this article is to discuss certain aspects of social responsibility, including the internal functioning of this concept. It shows different strategies of a socially responsible organization in the field of employment.

Keywords: corporate social responsibility, employment, personnel policy

1. Introduction

Business is not a closed off world, it has a social dimension and because of that its actions should take into account interests of individuals and groups interacting in various ways with the organization. It has been a long-standing belief among entrepreneurs that the prerequisite for maintaining a competitive edge is not only to pursue profit maximization, but also the need to accept commitments to employees that are considered to be the most important interest group. Without them, the organization cannot function and manufacture products, and thus make money. Organization must therefore take effort to integrate social issues into field of employment, so that they are not an addition to its economic activity but a coherent part of a development-oriented management of the organization.

2. The concept of corporate social responsibility

The concept of corporate social responsibility is not foreign to modern organizations. Considerations of social responsibility should not be separated from questions to determine what it is. Basing on literature review, it's relatively easy to see that corporate social responsibility is comprehensively defined. According to L. Karczewski responsibility is "dutifulness, willingness to bear the consequences of their actions, solidarity and integrity. Responsible is someone on whom you can rely, the man responsible is a guardian, so to speak, who cares about the people entrusted to him and tangible goods (...) business and responsibility should therefore have a lot in common [Karczewski, 2008, p.113]".

According to R. Nowak-Lewandowska socially responsible organization is one that knowingly and voluntarily accepts moral responsibility and obligations to internal and

external interest groups, and especially to employees on whose the prosperity of business depends [Nowak-Lewandowska, 2009]. Activity of organization focused on workers largely determines the success of company. How the organization is perceived in external environment depends on how entrepreneurs treat their subordinates. On the open market, employees and their behaviors differentiate companies from each other. People are the foundation of effective implementation of strategic tasks; and successful companies are those that make the right strategic and organizational choices, all the while adapting the organizational culture to expectations of, inter alia, internal stakeholders, so that the organization's management strategy can be effectively implemented [Rok, 2004].

Corporate Social Responsibility is inextricably linked to ethical issues. An important element of ethical attitude of organization should be understanding the consequences of its own decision, bearing the responsibility and respecting common interests, even if it would lead to short-term reduction of profit [Jończyk, 2009]. Acting according to ethical standards enables stakeholders to build trust in organization, and thereby build a leading position in its market segment and strengthen competitive advantage. Being responsible means accepting not only legal obligations but also ethical, even such as care for employees or the environment, so that these values can become an added value to the product.

3. Socially responsible activities in the internal activity of the organization

At present, organization's activity, when taking into consideration corporate social responsibility, should be concentrated on internal issues and refer more broadly to issues in area of employment. Speaking of responsibility in area of employment we should first determine what it means. It is based on creating procedures that include HR policy and functions of human resource management in particular. Corporate Social Responsibility, during staff employment, should be reflected in recruitment and selection of staff, which are fundamental elements of human resources management strategy. Realization of the mission and tactical and operational objectives of organization, as well as quality of other elements of human resources management, depend on the effectiveness of said procedures [Balewski, Bartkowiak, Janowski, 2008].

Organizations are searching on labor market, looking for suitable candidates for the job. They aim to arouse interest and willingness to work in candidates when they are informing them about conditions of work [Gableta, 2006]. As noted by S. Borkowska, whether the company has significant human resources, capable of development and training, depends on careful selection of employees. It is also a determinant of whether there is a possibility of optimizing efficiency and cooperation of the staff [Borkowska, 1985]. Selection of employees has a strategic character and that means that it is closely linked to the general strategy adopted by the organization and strategies including Personnel Management [Masłyk-Musiał, 2003].

As part of socially responsible behavior it is necessary to undertake carefully and thoroughly planned actions, so that employment process can be perceived in category of justice and responsibility. Organizations introduce selected procedures, based on human rights and workers' rights. One of tools used to implement those rules is the SA 8000 norm, which contains tips for recognition of skills, fight against discrimination and prejudice and internal cooperation in employment process.

Organization of work for a single employee is taken as a sign of socially responsible activity. This area brings a combination of relevant priorities - determine how to allocate tasks and provide resources to perform these tasks, namely workers, their working time and competence [Skowron-Mielnik, 2008]. Organization of work, in subjective approach, comes down to revealing the essence of work, its importance for human development, and thus for success of the business. According to the idea of a subjective approach to organization of work - work

cannot only have a material dimension, it cannot be anonymous and impersonal. Work creates professional, moral, ethical, intellectual and spiritual standards of an employee [Birski, 2006]. In socially responsible organizations, care for employees manifests itself, *inter alia*, in determining working and wages conditions. Responsible work conditions are meant to enable the maintenance of balance between work and private life through flexible forms of work, care for employee's professional development, physical and mental health.

An important aspect of responsible management in field of employment is to determine conditions of pay. In the course of employment the employer should honor the arrangements as early as at the stage of recruitment. They have a crucial impact on further course of work. Even as little as being truthful about duties of given position ensures the employee that promises will be kept and elicits a sense of security that he wasn't deceived [Kalinowska, 2012].

A sign of growing awareness of importance of corporate social responsibility is development of employment strategies that takes into account the care for employee during the period of social – professional adaptation. Process of adaptation to a new place of work is considered to be an undervalued area of human resource management. However, work results of obtained staff depend on quality of that process [Niedzielski, Walkowiak, 2000]. M. Dale notes that the process of introduction to the organization is accompanied by a process of inclusion understood as build rapport, trust and reliability that allows us to gain acceptance of colleagues and helps us work well with them [Dale, 2006]. Inclusion of a newly recruited employee to the organization in a non-confrontational manner enables him to accept and prepare to take a new role and combine career plans with development of the organization [Jamka, 2001].

In the process of social- professional adaptation an important role is played by specialized support from the management. Support can take two forms - coaching and mentorship. The essence of coaching is to provide an aid to newly employed, and such aid should be based on a fixed relationship between qualified coach and employee. The main objective of this assistance is to provide necessary information concerning the functioning of the organization. Coaching initiates professional development of a man, which shows itself in striving to improve the performance and forming of appropriate attitudes, and results in achievement of success at work [Ciekanowski, 2012]. An example of another method of raising performance that is based on internal development and focusing on forming specific behaviors is mentorship. This method differs from coaching in its long periodicity of implementation, during which the mentor is not limited to improving employee's behavior but also focuses on taking care of employee's professional career [The Wall Street Journal,]. There are two types of mentor. One is a mentor, who plays a strategic role during adaptation, and his thinking takes into consideration the whole organization. He is basing on assumption that there are unwritten rules in the organization, which cannot be found in brochures or learned during training sessions, and only mentor is able to give that knowledge to employee. The second type of mentor is a keeper, who doesn't limit his thinking to only one organization, and is called an employment counsellor. His task is to prepare an individual path of development of his mentee [Żarczyńska-Dobiesz, 2008].

Creation of development opportunities may be one way to keep staff and build potential for future. From the perspective of balanced management, reliable assessment of employees and clear and regular feedback may be mentioned as crucial [Bugdol, 2010]. For newly recruited employee, organization should prepare a different process of assessment than the formal one, which is carried out twice a year. An important element of employee assessment system is an evaluation interview, which allows to get feedback on the employee's progress in accomplishing objectives and on his interactions with colleagues. Basing on feedback an employee will be able to prepare proper self-evaluation [Żarczyńska-Dobiesz, 2008].

According to M. Sidor-Rządkowska [2001] assessment should address following issues: difficulties encountered by an employee while performing tasks assigned to a given position; well-being and overall impression of workplace; cooperation with team members. These actions are not reduced to continuous monitoring of workers but are focused on tackling difficulties and establishing daily contacts with employees to get to better know them [Forsyth, 2006].

Organizations that provide employees with professional development have influence on employee's development path. According to an innovative approach to self-development, both employee and organization take responsibility for employee's career. Employee must concretize his own desires and abilities. Using employment counsellor services will help him understand what kind of training he needs for further career development. Whereas the organization determines its own needs and expectations. For the sake of employee's development, some organizations use programs to find employees with special talents, who are quickly promoted or are moved to appropriate positions. Among the most commonly used programs are the ones that allow to take care of employees that are determined to implement an individual career plan, to enable them to participate in training and improve vocational qualifications [Zbiegień-Maciąg, 2007].

Relevant to promoting CSR is an approach that will help to include employees in bilateral relations to enable joint responsibility for development of organization. It is the social dialogue that helps to strengthen the relationship with employer, which in turn increases the chance of proper expectations management. Dialogue and commitment of employees is a guarantee of transparency of decisions taken by the company and has a positive impact on its internal and external perception [Forum Odpowiedzialnego Biznesu, 2015]. A technique to involve employees in current activities of the organization is management by objectives. It assumes involvement of employees in achieving objectives at all levels of management. These objectives are to be integrated with general policy of the organization, and to enable employee to organize their work and monitor effects of work. These objectives are used in motivation programs, employees are familiar with them, and realization of individual ideas is associated with reward. All rewards are pre-determined and communicated to employees, and are positive reinforcements aimed at encouraging them to make an effort [Beck-Krala, 2008]. Through involvement of employees in this type of activity, they are encouraged to take responsibility and to participate in the life of the organization. It is worth noting that a culture of openness underpins responsible leadership, wise manager showing attention to the possibility of disclosing potential of subordinates understands that investing in workers' trust makes it possible to gain something in return [procontent, 2015].

An important role in CSR is played by activities focused on supporting employees during their dismissal. The organization should aim to reduce the number of dismissals of staff, mindful of negative consequences, namely deterioration of organization's image, intensification of conflicts, excessive workload, a deterioration of customer service [Zieliński, 2014]. Faced with staff reductions, organizations offer outplacement activities including support not only for dismissed worker but also for employer, who is helped in preparations of the program of dismissals [Forum Odpowiedzialnego Biznesu, 2015]. If staff reduction cannot be avoided, employers use following solutions [Procontent, 2015]:

- Companies offer their employees meetings with coaches (during which the participant formulates his goals, strengths and redefines his position in labor market), trainings and recommendation programs in which candidates' CV is sent to personnel consultancy agency. As practice shows, such programs are popular among corporations that derive from foreign experience, and large and medium-sized Polish companies that want to help workers find themselves in the labor market. Such actions will help dismissed workers gain

new skills necessary to find a new job and self-motivation, allowing to effectively rebuild their lives.

- Another convenience for employees who leave the workplace is severance pay that is higher than the one guaranteed by labor law. In some cases, employers extend the notice period. Responsibility during employee dismissals is not limited to benefits, it is also aimed at preparing the employee for the process of leaving the company. It is considered good practice to provide support to the staff and effective internal communication by HR department.

4. Conclusion

Social responsibility in the area of employment is considered to be very important. It suggests the need to focus on making socially responsible initiatives, especially to employees. Because of their strategic role, corporate social responsibility should be manifested in securing interests and meeting the demands of that group. From the point of view of positively perceived organization, a happy employee is an employee who will involve himself in promoting the company and will be motivated to increase the efficiency of his work. According to implemented activities within corporate social responsibility in area of employment, organization is engaged in development of specific procedures for personnel policy, and especially various functions of human resource management, which are the process of recruitment, selection, motivation, evaluation and dismissal of employees. Employment strategy should also take into account the care for employee during social - professional adaptation, and it can be manifested by providing support to newly recruited employees.

References

1. Beck-Krala E. (2008): Programy motywacyjne wspierające innowacyjność pracowniczą, (in:) W. Pawnik, L. Zbiegień-Maciąg (red.) Organizacje w gospodarce innowacyjnej – aspekty społeczne, prawne, psychologiczne, Kraków, p. 76-77.
2. Balewski B., Bartkowiak G., Janowski A. (2008): CSR w obszarze zatrudnienia, (in:) L. Wojtasiewicz (red.) Społeczna Odpowiedzialność Biznesu, Wyd. Akademii Ekonomicznej w Poznaniu, Poznań.
3. Berłowski P. (2008): Oceny roczne częściowej, „Personel i Zarządzanie” nr 10/ 2008.
4. Birski A. (2006): Różne wymiary pracy a rozwój jej form, „Przegląd Organizacji” 2006, nr 5.
5. Borkowska S., System motywowania w przedsiębiorstwie, PWN, Warszawa 1985.
6. Budgol M. (2010): Wymary i problemy zarządzania organizacją opartą na zaufaniu, Wyd. Uniwersytetu Jagiellońskiego, Kraków.
7. Ciekankowski Z. (2012): Proces adaptacji społeczno – zawodowej nowego pracownika, Zeszyty Naukowe Uniwersytetu Przyrodniczo – Humanistycznego, nr 94/2012.
8. Dale M. (2006), *Skuteczna rekrutacja i selekcja pracowników*, Oficyna Ekonomiczna, Kraków.
9. Etyka w relacjach z pracownikami, scr.pl (read: 27.04.15).
10. Forsyth P. (2006): Jak rozwijać potencjał Twoich pracowników? Wyd. Helion, Gliwice.
11. Forum Odpowiedzialnego Biznesu, <http://odpowiedzialnybiznes.pl/> (read: 26.04.15)
12. Kalinowska A. (2012): Wartość dla pracowników w koncepcji CSR, Zeszyty Naukowe Uniwersytetu Szczecińskiego, nr 736.

13. Gableta M. (2006): Potencjał pracy przedsiębiorstwa, Wyd. Akademii Ekonomicznej, Wrocław.
14. Masłyk-Musiał E. (2003): Personalne mechanizmy zmian, „Zarządzanie zasobami ludzkimi” nr 1/ 2003
15. Jamka B. (2001): Dobór zewnętrzny i wewnętrzny pracowników, Difin, Warszawa.
16. Niedzielski E., Walkowiak R. (2000): Zarządzanie potencjałem społecznym w przedsiębiorstwie, Wyd. Uniwersytetu Warmińsko-Mazurskiego, Olsztyn.
17. Jończyk J. (2009): Koncepcja społecznej odpowiedzialności organizacji, (in:) Matwiejczuk W. (red.) Koncepcje i metody zarządzania, Wyd. Politechniki Białostockiej, Białystok.
18. Karczewski L. (2008): Etyka biznesu, Kulturowe uwarunkowania, Oficyna Wydawnicza Politechniki Opolskiej, Opole.
19. Nowak-Lewandowska R. (2009): Społeczna odpowiedzialność przedsiębiorstw wobec pracowników, Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu nr 42/2009.
20. <http://procontent.pl/csr/234234-2/>
21. Rok B. (2004): Odpowiedzialny biznes w nieodpowiedzialnym świecie, Akademia Rozwoju Filantropii w Polsce – Forum Odpowiedzialnego Biznesu, Warszawa.
22. Sidor-Rządkowska M. (2001): Kształtowanie nowoczesnych systemów ocen pracowników, Oficyna Ekonomiczna, Kraków.
23. Skowron-Mielnik B. (2008): Zmiany w organizacji pracy – między racjonalnością ekonomiczną a odpowiedzialnością społeczną, Zeszyty Naukowe Akademii Ekonomicznej w Poznaniu, Poznań.
24. Świeżak R. (2008): Raz w roku to rzadko, „Personel Zarządzanie” nr10/ 2008.
25. The Wall Street Journal, *Findingn Anchors in the Storm: Mentors*, <http://online.wsj.com/article/SB123301451869117603.html>.
26. Zbiegień-Maciąg L. (2007): Pozyskiwanie pracowników do firm, (in:) Zbiegień-Maciąg L.(red.) Zarządzanie pracownikami, Warszawa.
27. Zieliński M. (2014): Korzyści z wdrożenia koncepcji CSR w zarządzaniu zasobami ludzkimi, Zeszyty Naukowe Politechniki Śląskiej.
28. Żarczyńska-Dobiesz A. (2008): Adaptacja nowego pracownika do pracy w przedsiębiorstwie, Oficyna a WoltersKluwer business, Kraków.

PERCEPTION OF CORPORATE SOCIAL RESPONSIBILITY IN THE CONTEXT OF INTERNATIONALIZATION PROCESS IN THE SELECTED COMPANY

Iveta UBREŽIOVÁ¹, Elena HORSKÁ¹, Andrzej KRASNODĘBSKI²

¹Slovak University of Agriculture, Nitra, Slovakia

²University of Agriculture, Cracow, Poland

E-mail: iveta.ubreziova@uniag.sk

Summary: The aim of this article is to evaluate the perception of corporate social responsibility in the context of business internationalization at the selected company. We will focus in more detail on its appraisal in four main areas especially on the area of human resources, the environmental area, the business area and the area of local community. The first part of article includes theoretical knowledge which was obtained by the study of professional home and foreign literature, which delimit the area of corporate social responsibility and its individual parts, international management and business, globalization and internationalization of the business activity, business ethics and the ethics code. To meet the set target, we obtained the primary dates by a questionnaire method. This questionnaire was filled in by the employees of the company in an electronic form. The principal part of this thesis is a chapter aiming at the work results which includes a brief characteristic of the parent and subsidiary company, evaluation of the questionnaire including clear tables, graphs and statistical evaluation of the four set research theories. In conclusion, we evaluated the results from the questionnaire in total and suggested recommendations for the oncoming company business activity.

Keywords: international management and business, business ethics, internationalization, corporate social responsibility

1. Introduction

The corporate social responsibility of firms, trying to enter new markets and internationalize their production, is a hot topic, nowadays. Decision makers are solving issues connected to the profit maximization, quality improvement, lowering costs, outsourcing, resources recovery, and satisfaction of stakeholders. Companies, operating on more than one markets, have to adapt their production processes and management to the requirements of the several markets. International employees are more than a common thing in multinational corporations and managers have to respond to the constant changes caused by implementation of new technologies and innovations. For this concept, mainly known under the English name Corporate Social Responsibility, there is a number of definitions in the literature, and currently there is no one global definition. One of the most important is the definition by the European Commission, which describes the social responsibility as a "concept whereby companies integrate social and environmental considerations into daily business operations and interactions with corporate stakeholders". (European Commission, 2011) The European Commission's definition highlights the voluntary nature of this particular concept and the impact on the functioning of the company's stakeholders.

Currently, there is no uniform global definition for the concept of CSR. This is mainly due to the fact that CSR is on voluntary basis and does not have strictly defined boundaries.

The three best-known definition of CSR:

- The EU Green Paper defines CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”.
- The World Business Council for Sustainable Development (WBCSD): "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large."
- Business for Social responsibility defines CSR as: “Operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business.“ Pavlík– Bělčík (2010).

Ubrežiová – Gurská (2013), Mura – Buleca (2014) and Ubrežiová – Horská (2011) explain that corporate social responsibility includes the economic, legal, ethical, and philanthropic expectations placed on organizations by society at a given point in time. Authors mention the concept Carroll’s four-part model of CSR.

- Within the economic responsibility companies have shareholders who demand a reasonable return of their investments, they have employees who want safe and fairly paid jobs, they have customers who demand good quality products at a fair price, etc.
- By legal responsibility we understand demands that business abide by the law and “play by the rules of the game”.
- Ethical responsibilities oblige corporations to do what is right, just, and fair even when they are not compelled to do so by the legal framework.
- Philanthropic responsibilities as the fourth level incorporates activities that are within the corporation’s discretion to improve the quality of life of employees, local communities, and ultimately society in general.

According Wach (2014), Skýpalová and Kučerová (2014) as well as Mihalčová et. al. (2013), many multinational corporations and small and medium sized enterprises have taken part in development of CSR concept. They understand that implementation of CSR activities brings along several benefits such as competitive advantage, improving company’ image and reputation in the market, increasing loyalty of employees and customers and in the end also lower costs as a result. In today’s competitive environment full of demanding requirements from customers, being a flexible company is crucial. Concept of CSR plays an important role in this environment and represent a great opportunity for companies to become successful while also making world a better place.

2. Methodology

The main objective of this article is to evaluate the perception of corporate social responsibility in the context of business internationalization at the selected company. In order to achieve this major objective, it is necessary to create supportive partial objectives. The theoretical part gathers the necessary information about terms such as multinational company, corporate culture and corporate social responsibility and serves as a basis for the practical part. The practical part is dedicated to the analysis of the selected company and its CSR activities, as well as the evaluation of the survey findings in relation to the mentioned issues. The following hypotheses were formulated during the final article elaboration:

- Hypothesis 1: We assume that there is a relation between the knowledge of CSR concept and education level achieved.
- Hypothesis 2: We assume that there is a relation between the preference of particular CSR aspect and gender of the respondent.
- Hypothesis 3: We assume that there is a relation between the familiarity of the selected company and age of the respondent.

To test if these hypothesis are truthful, we used the statistical method called χ^2 test of square contingency. Is a test for nominal data for two independent sets and is used to test hypotheses concerning the existence of dependencies between own questions and classifying variables. For illustration, we will explain the results from evaluation of hypothesis 2. We used the formula written by Obtulovič (2004):

$$\chi^2 = \sum_{i=1}^m \sum_{j=1}^n \frac{(E_{ij} - T_{ij})^2}{T_{ij}}$$

Where:

E_{ij} - empirical frequency

T_{ij} - theoretical frequency

m - number of categories of the first character

n - number of categories of the second character

This paper was created within the research project VEGA supported by the Ministry of Education, Science, Research and Sport of the Slovak Republic VEGA *Corporate Social Responsibility (CSR) of the Slovak Enterprises in the context of Internationalization in Business*. Project registration number 1/0044/13.

3. Results and Discussion

The aim of the research was to analyze the level of knowledge that respondents have about corporate social responsibility in general and at Starbucks. For this purpose, the method of anonymous questionnaire was chosen and this was distributed among 100 respondents electronically. The research was conducted between at the beginning of 2015. The survey included four classification questions about respondents' gender, age, education and nationality. The second part of the questionnaire was focused on the general knowledge of respondents about the concept of CSR using both polytomic questions with multiple choice and trichotomic closed questions. The last part of the survey was oriented on perception of the selected company and its CSR efforts by respondents. The questionnaire consists of 18 questions and was anonymous. The first question was aimed to find out the gender structure of the respondents. The questionnaire survey was filled in by 100 respondents, of whom 66 were women and 34 were men. Based on the main goal of article, we wanted to find out which of the three CSR aspects do respondents prefer. *Social aspect* was chosen as the most important with 62 respondents believing in its importance. 30 respondents think *Environmental aspect* is the most important of the three and only 8 people believe *Economic aspect* should come first before environmental and social initiatives of a company. Within the selected question for respondents, e.g. "According to your opinion, what is the most important aspect for an organization regarding CSR" we also set the second hypothesis where we assume that there is a relation between the preference of CSR aspect and gender of respondents. We tested the following options:

- H0: There is no relation between the preference of CSR aspect and gender of respondent.
- H1: There is a relation between the preference of CSR aspect and gender of respondent.

Table 1. Relation between the preference of CSR aspect and gender of respondent

Outcomes	Chi table	Chi calculated
	1,3187	5,9915

Source: own processing, 2015

Based on the outcome of the chi-square test of square contingency (Tab. no.1) we do not reject the zero hypothesis which means that at the significance level of $\alpha = 0.05$ there is no relationship between the preference of CSR aspect and gender of respondent. The another question was aimed to find out what are the main reasons for a company to involve in CSR activities. Respondents could choose maximum three of eight answers. Intentions to *improve company's image* were selected as the most probable reason leading company to social responsibility with 74 respondent choices. The other two highly ranked options were to *increase employees' satisfaction* and loyalty and to *gain competitive advantage*. The least probable of all possible reasons for company to adopt CSR activities was *cost savings* with only was opted by 5 respondents. On the other hand, the next question deals with barriers that prevent a company from adoption of responsible behavior. Two options were selected as the greatest barrier. Equally 30 respondents think that lack of management's motivation and high cost of implementation of CSR often hinder enterprises from socially responsible initiatives. 25% of respondents believes that insufficient knowledge about the topic could be a significant barrier for organizations as well. Two respondents though of other, not stated, barriers and these were evaluated as simply no interest of a company in CSR and profit preference. As Kováčsová (2015) states, in today's fast changing business environment, companies need to be flexible to adapt to these changes. They should understand that doing business nowadays means more than just generating profit and their activities need to be beneficial for the society as a whole. The concept of corporate social responsibility represents voluntary efforts of an enterprise in following three areas – economic, social and environmental. CSR influences the corporate image of an organization and represents competitive advantage, added value and long-term prosperity for companies that have decided for its application.

4. Conclusion and Recommendation for Further studies

The survey involved participation of 100 respondents of whose majority were women in terms of gender (66%), those younger than 25 years (63%) in terms of age, with some university degree (68%) and of Slovak roots in terms of nationality. The research has shown that majority of respondents are familiar or has at least heard of term CSR which clearly indicate its increasing popularity and importance. We assumed that there could be a relation between this knowledge and education level of respondents, however, this assumption was incorrect meaning the knowledge of the concept does not depend on the highest education achieved. The research also studied the customer understanding of CSR and unveiled that people expect companies to act beyond their legal responsibilities and commonly imagine ethical behavior, environmental protection and high quality of products and services among three most common characteristics of responsible behavior of enterprises. Majority of customers would prefer the social aspect aspirations however these preference does not depend on the gender of respondents as we assumed. On the other hand, there are several factors that discourage enterprises from doing this including lack of motivation, high cost of implementation or poor knowledge of the issue. Based on our findings, we can conclude that concept of CSR is becoming still more important and both people and companies are aware of this importance which opens the door for even greater application in the future. We hope that companies worldwide will understand the advantages of responsible behavior and will use this

sustainable advantage in the long run. There is a strong connection between the responsible attitude and increasing profit and improving image and we hope this fact will assure us brighter and more sustainable future.

References

1. Gurská, S. (2012). *Business Ethics in International Environment*. In: Ubrežiová, I. – Gurská, S. 2012. *International management and entrepreneurship*. Nitra: SUA, 2012, pp. 43 – 57, ISBN 978-80-552-0941-8.
2. Kováčsová, B. (2015). *Firm Image in relation to Corporate Social Responsibility*. (Diploma Thesis), Nitra: SUA, 2015, 99 p.
3. Mura, L. - Buleca, J. (2013). *Trends in international business of the Slovak small and medium food enterprises*. *Procedia-Social and Behavioral Sciences* 110, 2014, pp.905-912
4. Obtulovič, P. (2004). *Bioštatistika*. 3. vyd. Nitra: SPU, 2004. 132s. ISBN 80-8069-432-X.
5. Pavlík, M. – Bělčík, M. 2010. *Společenská odpovědnost organizace*. Praha: Grada Publishing, 2010, 176p. ISBN 978-80-247-3157-5.
6. Skýpalová, R. – Kučerová, R. (2014). *The Role of the State in Launching Social Responsibility in Small and Medium Enterprises*. *Acta Universitatis Agriculturae et Silviculturae Mendelianae Brunensis*. 2014. sv. 62, č. 6, s. 1407--1415. ISSN 1211-8516.
7. Ubrežiová, Andrea - Horská, Elena. (2011). *Perception and Approach towards Corporate Social Responsibility in SMEs: Case Study of Slovak and Czech Republic*. In: PEFnet 2011 "European Scientific Conference of Ph.D. Students, Brno, 2011, pp. 1-7
8. Ubrežiová, Iveta - Stankovič, Lýdia - Mihalčová, Bohuslava - Ubrežiová, Andrea. (2013) *Perception of corporate social responsibility in companies of Eastern Slovakia region in 2009 and 2010*. In *Acta Universitatis Agriculturae et Silviculturae Mendelianae Brunensis*. ISSN 1211-8516, 2013, vol. 61, no. 7, p. 2903-2910
9. Wach, K. (2014). *Internationalization and Globalization as the Wider Context of Europeanisation Process from the Macro- and Microeconomic Perspective*. *Horyzonty Polityki*, vol.5, no.10, pp.11-30

FACTORS PROMOTING WORKERS INVOLVEMENT IN BUILDING THE SOCIALLY RESPONSIBLE ORGANIZATION ILLUSTRATED BY THE EXAMPLE OF HEALTH INSTITUTIONS

Katarzyna ZADROS

Częstochowa University of Technology, Częstochowa, Poland

E-mail: katarz@zim.pcz.pl

Summary: Corporate Social Responsibility is a management concept that allows the development of the organisation positive image and strengthening its competitive advantage. It has been widely used by economic organisations. Currently it is more often used by public institutions and non-profit organisations. The acceptance and realization of the concept assumptions by the managerial staff is not sufficient for the concept to be successfully implemented. What equally important (or even more important) is the engagement of all the workers in the concept realisation. The more conscious the workers are and the higher the level of their qualifications, identification with the organisation and responsibility for its future is, the easier it is to implement the rules of social responsibility in such an organization. The fact that workers commonly follow the rules of ethics and have the same understanding of ethical standards which are applicable in a given organisation constitutes another equally significant factor supporting the concept implementation. The workers of health institutions should be characterized by all the factors mentioned here. Thus the process of the CSR concept implementation and realization in these institutions should proceed more smoothly than in others. However, is that what actually happens? In the presented article the author on the basis of the literature analysis and her own empirical research attempts to diagnose the level of health sector workers preparation to the implementation of social responsibility assumptions in their centres. She also tries to evaluate to what extent the implementation process has already been completed or will probably be completed in the near future.

Keywords: CSR, worker, management, health institutions

1. Introduction

The CSR rules enable not only the managerial staff but all the workers to shape the management process of the organisation and its competitive advantage. Implementation of these rules requires conscious and active participation of workers in shaping management processes. Workers are also required to possess a specific kind of sensitiveness thanks to which each activity is a conscious and intentional establishing of the relation with internal and external environment of the organization. Such an attitude to the management enables making positive contribution to the social development and minimizing possible negative effects resulting from potential mistakes in the operation of medical subjects or their workers.

A detailed analysis of the internal and external environment of a medical subject on the basis of which the key clients and targets to be realised with reference to them will be established constitutes the starting point for the implementation of social responsibility rules.

The following persons can be appointed, among others, as possible clients of each medical subject:

- current and potential patients
- current and potential workers
- National Health Fund
- companies cooperating with a medical subject and rendering services for it

- companies producing and maintaining medical equipment and pharmaceutical companies
- local authorities and its institutions
- media
- others, institutions having key function from the point of view of the medical subject
- companies operating at the local market and searching attractive health packages for their employees.

From the point of view of internal clients this elaboration is devoted to, it is particularly important to ensure workers that CSR does not mean burdening the medical subject and in the effect lowering workers' income and increasing the number of duties, or forcing the change of current methods of operation. Its implementation should contribute to strengthening workers conviction that they work in a place that guarantees them friendly working conditions, allowing continuous professional and personal development and with the guarantee that their work and engagement will be appreciated by managers and patients. Promotion of attitudes and performance of those workers who follow the CSR rules in practice (whether consciously or not) can play a significant role in persuading workers to the idea of CSR implementation. This can be achieved by providing information on the engagement of workers in charity, on the organization of preventive campaigns among patients and local societies, on rendering medical services in a way that guarantees professionalism and empathy and at the same time gives rise to the sense of security and trust. That is why in the further part of this paper the results of the survey conducted by the author among medical subject workers will be discussed. The survey explores the activities medical subjects take and that can be used to create and implement in these subject the assumptions of social responsibility.

2. Areas of medical subject workers activities typical for CSR

The task of the first question in the research on workers' attitudes and performance supporting the realisation of social responsibility assumptions in practice is to establish if a given worker is engaged in any social activity, how long he has been doing it and what his engagement consists in (Table 1.).

Table 1. Involvement of employees in social activities

Profession	Doctors	Nurse/ Midwife	Paramedic	Therapists/ physio- therapists	Administ- ration employees	Other medical professions	Σ
Never	539	585	55	71	157	47	1454
Rarely	59	123	42	37	26	37	324
Often	17	31	14	11	9	13	95
Very often	15	27	12	7	3	8	72
Constant	8	17	9	2	1	4	41
Σ	638	783	132	128	196	109	1986

Source: own research

Respondents' answers indicate that it is not possible to unequivocally point out a medical subject or a professional group that are engaged in the activities for the benefit of others, however, the total lack of engagement in such a type of activities cannot be stated, either. Generally, it can be claimed that the younger the workers are (especially doctors) the greater the possibility they will get engaged in voluntary work is. Older workers, in turn, get more often engaged in charity activities that enable their younger colleagues to acquire new skills, or to raise the level of their formal qualifications. Many workers are willing to join campaigns promoting the medical subject they work for (Table 2; 3.).

Table 2. Forms of involvement

Profession Answer	Doctors	Nurse/ Midwife	Para- medic	Therapists/ physio- therapists	Administra- -tion employees	Other medical professions	Σ
Abroad Missions	0	0	1	0	0	0	1
Health Promotion Campaigns	2	9	4	1	0	2	18
Volunteering	15	29	7	12	2	11	76
Helping Younger Staff	47	68	24	18	9	16	182
Others	32	76	32	18	23	27	208
Σ	99	198	77	57	39	62	532

Source: own research

Another issue under research concerned the relations between particular groups of workers in a medical subject, especially rules of their cooperation, and in the further part the relations between the medical subject workers and patients.

Table 3. Duration of involvement

Profession Answer	Doctors	Nurse/ Midwife	Para- medic	Therapists/ physio- therapists	Administration employees	Other medical professions	Σ
Less then year	17	51	17	12	4	9	110
1-2 years	37	62	25	19	12	23	178
3-5 years	29	41	23	16	13	15	137
6-10 years	11	28	9	7	9	11	75
More then 10	5	16	3	3	1	4	32
Σ	99	198	77	57	39	62	532

Source: own research

When analysing the relations between workers that are supporting the CSR implementation, a special attention should be paid to how important it is for a medical subject to have the atmosphere of cooperation and mutual trust and to observe the rules of ethics both for medical professions and those commonly accepted by the society as important and valuable.

All the respondents when assessing these issues agreed that generally cooperation between workers in medical subjects they work for is not hindered by any problems, is effective and contributes to appropriate functioning of these medical centres. However, if the answers of separate professional groups are analysed in detail, then it turns out that nurses and administrative workers do not assess their cooperation with doctors very well. They draw attention to common unjustified incidents of doctors' arrogant behaviour towards them.

On the other hand nurses also notice positive attitudes and behaviour of doctors towards them, for example consulting and asking for help when rendering medical services or inviting to cooperation in charity activities.

The observance of professional and social ethics principles by medical subject workers is also assessed very well by most of those who took part in the survey. The respondents emphasised that their job is a mission, so their readiness to devote to others is a natural thing for them. What is more, administrative workers who participated in the survey assessed the medical workers attitude similarly and simultaneously they positively assessed their own behaviour in relations with other medical subjects workers and patients (Table 4; 5.).

Table 4. Abiding the rules of work ethic by employees

Profession	Doctors	Nurse/ Midwife	Paramedic	Therapists/ physio- therapists	Administration employees	Other medical professions	Σ
Answer							
Always	197	209	65	38	46	27	582
Often	165	160	51	66	57	54	553
Usually	271	397	14	21	22	22	809
Rarely	5	17	2	3	6	6	42
Never	0	0	0	0	0	0	0
Σ	638	783	132	128	196	109	1986

Source: own research

The last issue presented by the author in this article relates to the relations between the workers of medical subjects and patients.

Table 5. Abiding the ruled of work et hic by other employees

Profession	Doctors	Nurse/ Midwife	Paramedic	Therapists/ physio- therapists	Administration employees	Other medical professions	Σ
Answer							
Always	137	183	52	31	35	22	460
Often	152	139	42	53	41	42	469
Usually	328	427	27	31	100	34	947
Rarely	13	29	9	12	17	9	89
Never	8	5	2	1	3	2	21
Σ	638	783	132	128	196	109	1986

Source: own research

Patients were asked here if they are treated by workers subjectively and if they can influence the way medical subjects are functioning and the way they do it in. In case of the first issue, the author tried to establish if the patients are perceived and treated by medical subject workers as diseases entities or as people who expect not only to be diagnosed but to be talked to, supported and not to be anonymous, as well. It turns out that the differences in the approach to patients between hospitals and in particular between medical centres of the first contact is huge.

Table 6. Approach of primary care employees to the patient's in specialized clinics and hospitals

Workplace	Primary Health Care		Specialized Clinics		Hospitals		Σ	
	<i>Medical employees</i>	<i>Administra tion employees</i>	<i>Medical employees</i>	<i>Administra tion employees</i>	<i>Medical employees</i>	<i>Administra tion employees</i>	Medical employees	Administ ration employee es
Fully subjective	538	17	124	9	325	3	987	29
Rather subjective	132	14	152	11	340	22	624	47
Hard to tell	78	17	14	8	28	29	120	54
Rather objective	17	12	9	8	17	20	43	40
Definitely objective	3	7	4	2	9	17	16	26
Σ	768	67	303	38	719	91	1790	196
	835		341		810		1986	

Source: own research

In case of the latter, according to all the workers, the patient-centred approach dominates (Table 6.). What is also important here, patients' opinions and evaluations by patients (where quality management is being introduced) are a significant factor increasing their participation in the medical subject management.

Table 7. Including patients in the management of Medical Center

Workplace Answer	Primary Health Care		Specialized Clinics		Hospitals		Σ	
	Medical employees	Administration employees	Medical employees	Administration employees	Medical employees	Administration employees	Medical employees	Administration employees
Always	12	4	3	1	2	6	17	11
Often	561	26	19	3	41	21	621	50
Usually	111	3	83	7	297	13	491	23
Hard to tell	53	12	95	2	316	17	464	31
Rather no	31	17	71	17	46	21	148	55
Definitely no	0	5	32	8	17	13	49	26
Σ	768	67	303	38	719	91	1790	196
	835		341		810		1986	

Source: own research

While in hospitals it is commonly regarded that workers have too much work to treat patients subjectively in full. Hospital workers, especially medical professionals, cannot perceive advantages in patients and local societies' participation in medical subject management (Table 7.).

3. Conclusions

Summarising the above analysis it can be claimed that in spite of the lack of knowledge among managers and workers of medical subjects about what CSR is and what role it has in the functioning of a medical subject there are huge possibilities to implement this concept. It can be facilitated by the fact that the workers of medical subjects are characterized by big activity in initiatives that are traditionally regarded as socially responsible.

However, the unfavourable approach of medical subject managers to the introduction of new solutions and to the wide scale promotion of CSR implementation constitute the most significant factor hindering the realisation of this concept in the management of medical subjects.

ETHICS IN NEGOTIATIONS

Łukasz SKIBA

Częstochowa University of Technology, Częstochowa, Poland

E-mail: lukabi@wp.pl

Summary: Probably because of the egoism and the divergence of interests, people are forced to fight for their corner. It is happening on different plains of the social life, beginning with family, through colleagues' relation, friendship relation and social as well to finish with professional. Therefore it can be said that the negotiations are an indispensable part of our lives. In organizational disputes, managers negotiate conditions of cooperation with other business entities, employees establish the amount of their wages with the employer, circle the scope of their duties and responsibilities and etc. The interests of individuals or social and professional groups are often represented by the third party (i.e. the negotiators) such as organizations as well as trade unions representatives. Negotiation skills are crucial for establishing business contacts, make new collaborations or maintain already taken business relations. In practice, the art of negotiation uses a wide range of techniques to help negotiators to achieve the intended purpose. However, some of these techniques raise ethical questions. The premise of this paper is not willingness of a negative assessment of the strategies adopted by the negotiators, but to show that perspective of the objective of the organization existence is not only to maximize profits for the company owner but social responsibility (ethics) as well. Moral dilemmas and unethical choices which negotiators faced often carry implications acting destructively both in relation to the company's environment (e.g. contractors, collaborators) for further relationship with the deceived person or subject of negotiations, as well as in relation to the image and conscience of unfair negotiators.

Keywords: manager, ethics, negotiation

1. Characteristics of the term and areas of negotiation ethics

Negotiations are nowadays a very common practice, concerning all the people and all aspects of social life. We constantly need something that belongs to somebody else, or we compete about something.

Negotiation is “ a two-side process of communication, the aim of which is to achieve an agreement, when at least some of the interests of people involved are confrontational” (Fisher et al. 1990). The starting point for negotiations is always conflict, which is „ perceived as the clash of different, but interdependent interests” (Mastenbroek 1998). Therefore, the interdependence of interests (at least one common goal) (Zbiegień-Maciąg 2003) is the basis for negotiations. They aim to find compromise, thanks to which the interests of both sides could be realized, without harm for any of the parties, with simultaneous maximization of profits earned from this cooperation.

Focusing on moral issues connected with negotiations, are the basis for extracting from the area of business ethics a category called negotiation ethics. The assumptions of this sub-discipline include both elements of descriptive ethics and normative ethics, both with reference to description of beliefs and moral behaviours of people as well as stating, what is good and what is wrong in negotiations. (Kamiński 2007)

The main areas of interests in case of ethics are: process ethics (I – preparatory stage, II – the essential stage, III – the final stage); ethics of division, ethics of representation, ethics of representation, ethics of intervention. (Kamiński 2003)

Process ethics is focused on the negotiation flow in various stages: preparatory, essential and final stages.

In the preparatory stage it is common to have contact with moral aspects right while skating the goals. It is possible to endeavor to reach somebody's own goals, or take into account the interest of the other party. Moral aspects in this stage are i. a. the way of getting and using information about the company, negotiators and company surroundings. Moreover, the discussed stage is for preparing of the climate for negotiations, that would influence both parties of negotiation. (Kałużna-Drewniska 2006)

In the Essential stage the most important aspects are the following ethical issues: beginning of the proceedings and preparing of the first offer, a type and way of making concessions, order of discussed problems, discussion, type of the questions asked, manipulation of information, using the techniques of influencing others, formulating and signing of a contract. What brings the ethical doubts in the discussed stage of negotiations is the aspect of choosing the correct tactics.

Ethics of the final stage is connected with evaluation of an effect of the negotiation and monitoring of the contract realization.

Ethics of division – stating, whether the result of negotiations is fair, and to which assessment criteria it should undergo.

Ethics of representation – originates from the fact of representation of a party in a negotiation process, e. g. by the agents, lawyers, trainers, psychologists, etc and resulting problems of moral nature on the line: negotiator- represented person.

Ethics of intervention – is focused on the analysis of the norms and rules of behaviour of a mediator, a person that is asked by the negotiating parties for help, when they cannot communicate.

2. Symptoms of immoral behaviours in negotiations – manipulation and lie

Ethics of negotiation is focused on various areas, one of the key of them is identification of the symptoms of non-ethical behaviours in a negotiation process. Next, in this process ethics of tactics is extracted (problem of manipulating of people and information) and the area called conventionally ethics of false statements (problem of lie). Negotiation tactics aim is to focus our attention to the fact that apart from cooperation and setting goals, apart from tactics cooperation- oriented, there also the ways often using cheating. Therefore, under the above mentioned areas, ethics will be focused on grouping the tactics and statements with similar bases, and next their moral assessment.

Manipulation is „a group of psychological, propaganda, organizational activities (...), calculated on effecting particular social and individual behaviours” (Reimus 2005, p. 65). It is possible to manipulate people or information, as manipulator's aim is to establish the most profitable contract.

In the literature of a given subject there functions many divisions of the manipulation tactics while negotiating, often very extender. (E. g. <http://katarzynaksiatkiewicz.pl/manipulacja-przewodnik-po-technikach-manipulacyjnych-2/>)

Nevertheless, because of the ethical character of the following article, the focus was placed only on the selected examples.

Among the most unpleasant and standing beyond the law tricks and ethically dubious tactics we may distinguish:

1. The use of gifts, parties and other kind of „bribes” in order to „soften” the position of the other person;
2. Using a group of „spies” in order to get some special information concerning plans of the other party, mainly concerning established in the point of resistance.
3. Undermining the credibility of a negotiator in front of the board members of his company by using various types of lies;
4. Using various forms of electronic monitoring and heating (the office of the negotiator, of changing the meetings of the board of directors);
5. Stealing the documents belonging to the opponent, or gaining information from the spys;

Discreditation or diminishing of the opponents by using public slanders, etc.

(<http://conradinstitute.org/index.php/rola-prawa-i-etyki-w-prowadzeniu-negocjacji/>)

Other division of the manipulation tactics will be the one because of:

1. Pressure tactics, which is movements and behaviors, the aim of which is to cause that only one party gives up;
2. Diversion tactics, that are based on the belief, that the negotiator acts according his good belief;
3. Tactics of the psychological war, aiming to cause that the other party of negotiations feels uncomfortably (e.g. too loud, too cold, lack of possibility of consultation, verbal and non-verbal communication causing that the other person feels sorry, and threat), by means of what will be more prone to concession, because its aim is to finish the negotiations as soon as possible. (Fisher et al. 1990)

Only on the basis of the two above mentioned divisions of manipulation tactics it may be concluded that the subject includes many various behaviours, which means from extremely immoral, according to the rule „after corpses for purpose”, or „purpose sanctifies means”, to the less drastic. It is not possible to have them morally assessed according the same criterion (it is, if the observer is a Kantian).

A lie has different form in a process of negotiation. The most common division is the one that distinguishes:

- not full showing the position, which means hiding the point to which the negotiator aims (usually claims, that he would like to achieve more, in order to get what he wants);
- lie, based on cheating being an effect of signaling intentions of taking a specific action, although in fact it is not true;
- falsification, refers to the purposeful activities of a negotiator, thanks to which by means of a set of real and unreal arguments lead the other party to false conclusions;
- cheating, is the least sophisticated, among all the forms of lies, based on introducing to negotiations mistaken, false information in order to destroy decisive process of the other party of negotiations.

Ethicists highlight not to confused the above mentioned forms of lies with selective expressing information represented by the parties about the flow of negotiations, because it belongs to the art of negotiating.

3. Ethical negotiations

Recently, in the environment of the specialists from the area of negotiations there is more popular point of view that effective negotiator is an ethical negotiator. Nevertheless such a general expression needs to be specified, what is meant by using the word “ethical”. The negotiators use in their work various types of tactics and techniques that are not always in accordance with the ethical rules. Using i. a. lies, inflating the price, illegal tricks, caused that discussed professional group does not have even good opinion. According to the common

opinion there functions a stereotype that negotiator is a person you cannot trust and that is why that person should be constantly carefully observed and listened. Negotiator, in order to be considered as ethical, has to meet several conditions:

- respect your partner,
- reliability – clear intentions for co-workers and the other party, - well-understanding among the members of negotiation teams,
- responsibility for words,
- equal right to the utterance – there should be given to the partner the possibility to present his own point of view,
- reciprocity in a process of negotiation – when one party resigns, the second party should lower its claims proportionally (if possible),
- so called „good manners”– it may be helpful to use diplomatic protocol, as well as ethical code (Rosińska 2007)

Moreover, negotiator meeting the above mentioned conditions, has the ability to use many techniques that may be used while performing his professional duties. Not all of them are ethically recommended, what should be also taken into account while assessing ethically the work of negotiators.

It should be also taken into account that ethical negotiations should aim to make the agreement probable at the level – the won- the won. Many negotiators make a mistake focusing on the essential aspect of a discussion, removing to the second plan the procedure of resolving the conflict itself. (Fisher et al. 1990) Correctly organized procedure should be composed of several stages: defining of a problem, looking for an alternative solution and choosing of the best solution. [According to the number of stages the authors are agreed: In terms of the number of stages, the researchers are not unanimous: compare D. Dana, *Rozwiązywanie konfliktów*, PWE, Warszawa 1993 (4 stages/steps); and *Negocjowanie metodą interesów*, J.P. Gieorgicy [ed.], Centrum Partnerstwa Społecznego Dialog, Warszawa 1997 (6 stages); lub B. Scott, *Negocjowanie*, [in:] *Praktyka kierowania*, D.M. Stewart, PWE, Warszawa 1994 (7 stages)]

The next ethically important aspect of negotiations is taking into consideration some of the universal rules of choosing the fair solution:

- input of work – a party that brings greater work input to the same enterprises, receives greater part of the earned profits;
- equality – parties share profits equally, the input is not meaningful, - correspondence to the needs – fair division is the one that takes into account reasonable needs,
- correspondence to the chances – division according to the use that it may be of for the parties; - precedent – the basis of the agreement are solutions from the past (with a given, or different partner) (Rządca, Wujec 1998)

R.J. Lewicki and J.A. Litterer suggests that a process of ethical negotiations should be encouraged by the following verbal tactics: (Fisher et al. 1990)

Following these rules allows to stay in control over the flow of negotiations. By leading to the state of lowering the level of emotions and objectivisation of a conflict and transferring the problems to the substantive ground, the negotiators are able to realize activities aiming to the acceptance of a solution that is optimal for both parties.

Table 2: The basic tactics supporting process of ethical negotiations

Phrases	Rules
Please, correct me, if I am wrong.	Verify the facts in a way that both of the parties agree with them.
We appreciate, what you have done for us.	Separate people from the problem. Help the other party, even if you have a critical attitude towards his offers.
Honesty is important for us.	Make the negotiations based on the rules.
We would like to resolve this conflict on the basis of the rules, not selfish interests and strength.	Protect your own opinion, going back to the rules, even if the second party tries to bring them to the private ground.
May I ask you some questions in order to check, whether obtained information is true?	Ask questions, do not make reservations.
Which rule is the basis for your action?	Discover the rules being the basis of the activities of the other party.
Let me check if I understand properly what you have told.	<i>Listen actively.</i>
Let me come back to this conversation later.	Make an evaluation of your position over the sphere of negotiations. Verify the facts, present considered opinions, consult your suggestions with the people that you represent.
Let me understand the doubts in perceiving some of your arguments.	Present explanation before you express your suggestions.
One of the fair solutions could be based on...	Present your suggestions in the context of honesty.
If we achieve an agreement... If we do not achieve an agreement...	Present consequences of an agreement, and a lack of agreement.
I would be pleased if we accept the solution the most comfortable for you.	Let the other party feel that he has the possibility to influence the final agreement.
It would be nice to cooperate with you.	Finish the negotiations with a friendly tone.

Source: R.J. Lewicki i J.A. Litterer, *Negotiation*, IRWIN, Illinois 1985, p. 126, elaboration on the basis of R. Fisher, W. Ury, B. Patton, *Getting to Yes...*, s. 117-128 (in Polish edition p. 167-178).

4. Conclusion

Negotiation is an art of obtaining compromise, otherwise the notion of dictate would be considered. Negotiations may be difficult, long-lasting and arduous, but its effect sometimes may be impossible to be underestimated, e. g. avoiding, or abandonment of war in case of international conflicts. Nevertheless, not everyone is allowed to have the honor to negotiate, there are known some examples of the countries' Policy „zero tolerance for terrorism”, in which any concessions towards members of such groups are not accepted (similar in case of e. g. traitors). Therefore, at the beginning of negotiations some of the potential negotiators are excluded, as considered to be unreliable.

In practice, it would be difficult to find negotiations without manipulations (since ancient times the „ally” of manipulation was the art. of rhetoric), and if we have contact with this phenomenon, negotiations are considered as unprofessional.

How to evaluate moral art of negotiation based on manipulation, various tricks and techniques, if it uses various forms of lies? This question cannot be clearly answered. It would be dependent on the individual, historical and cultural factors. One thing that could be undoubtedly stated is that most of negotiations, regardless the fact whether it is business negotiation, or connected with establishing collective agreement in the times of privatization, or with the trade unions, or national administration, etc. Regardless the fact that the same, sometimes morally ambiguous tactics, it needs to the compromise learning profit for both sides. Arguments, that something is good, because it brings positive effects, undoubtedly caused indignation of many ethics, e. g. giving birth of a healthy baby does not justify rape. According to that, the education in the area of negotiations should be more developed and fight against stereotypes, in order to have the negotiators to perceive profits and satisfaction from the ethical way of negotiations.

References

1. D. Dana (1993): *Rozwiązywanie konfliktów*, PWE, Warszawa.
2. Fisher R., Ury W., Patton B. (1990): *Dochodząc do Tak. Negocjacje bez poddawania się*, PEW, Warszawa.
3. Gieorgicy J.P. [ed.] (1997), *Negocjowanie metodą interesów*, Centrum Partnerstwa Społecznego Dialog, Warszawa.
4. <http://conradinstitute.org/index.php/rola-prawa-i-etyki-w-prowadzeniu-negocjacji/>
5. <http://katarzynaksiakiewicz.pl/manipulacja-przewodnik-po-technikach-manipulacyjnych-2/>
6. Kałużna-Drewnińska U. (2006): *Negocjacje w biznesie. Kluczowe problemy*, Wyd. Akademii Ekonomicznej im. Oskara Langego we Wrocławiu, Wrocław.
7. Kamiński J. (2007), *Negocjowanie. Techniki rozwiązywania konfliktów*, Wyd. Polontex, Warszawa.
8. L. Zbiegień-Maciąg (2003): *Taktyki i techniki negocjacyjne*, Wyd. AGH, Kraków.
9. Lewicki i R.J., Litterer J.A. (1985): *Negotiation*, IRWIN, Illinois.
10. Mastenbroek W. (1998): *Negocjowanie*, PWN, Warszawa.
11. Reimus T. (2005): *Manipulacje w negocjacjach*, [in:] *Dni Negocjacji II*, D. Ogrodnik [ed.], Rebis, Poznań.
12. Rosińska A., *Wizerunek polskiego negocjatora w dobie integracji z Unią Europejską*, p. 82, [in:] http://www.institut.info/images/stories/ksiazki_polecane/16_przemiany_i_perspektywy_przedsiębiorstw_2/r07.pdf
13. Rządca R. A., Wujec P. (1998): *Negocjacje*, PWE, Warszawa.
14. Scott B. (1994): *Negocjowanie*, [w:] *Praktyka kierowania*, D.M. Stewart, PWE, Warszawa.

GROWTH POLE ALBA IULIA – SEBEȘ BETWEEN THEORY AND REALITY

Ionela GAVRILĂ-PAVEN¹, Ioan BELE²

¹ „1 Decembrie 1918” University of Alba Iulia, Alba Iulia, Romania

² Association of PrelMet Transilvania Cluster

E-mail: ionelapaven@yahoo.com

Summary: In this article there will be presented the concept of growth pole and analyzed also the necessity of creating such growth pole at regional level. There will be presented different opinions related to this concept and also examples of growth poles that are functioning and which can be considered as reference point for developing growth poles in Romanian regions. In the second part of the article we will present the benefits of creating a growth pole in the Center Region that will include two cities, respectively Alba Iulia and Sebeș.

Keywords: growth pole, economic development, regional development, sustainability, industrial and logistic parks

1. Introduction

Considering the present evolution of regional development all over the world, there is a concept that is pointed out from the experience of different regions, namely growth pole. As a general and exhaustive definition, based on the analyze of the definitions given by different experts in the field, a growth pole is: (1) a point of economic growth; (2) a central location of economic activity; (3) a point where economic growth starts and spreads to surrounding areas; (4) an urban location where economic activity ignites growth and better quality of life in the urban periphery. This is a general definition that supposes a strong relation between growth poles, economic growth and urbanization, as well as potential interaction effects that occur.

2. Literature review

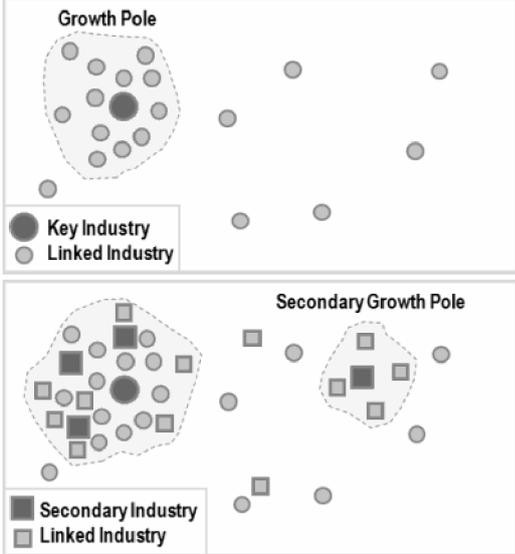
The concept of growth pole was used for the first time by Francois Perroux in 1949. His work focused on this topic analyzed especially the economic aspects of the growth poles. But the opinion of the researchers in this field regarding the growth poles are not in consensus, especially if there is considered the activity area of the authors. So there are different points of view regarding the growth poles coming from economists, geography experts or territory development experts. The intuitive notion of growth poles identifies a growth pole as an industry or perhaps a group of companies within an industry. At an extreme a growth pole might be a single firm or it might be a group of industries. Perroux, however, defined growth poles in terms of what he called abstract economic space. In his opinion, this abstract economic space can be of three types: an economic plan, a field or force of influences and a homogenous aggregate.

Analyzing the regions developed all over the world, we have to consider the concept of growth pole as one of the key elements that contributed to the development of these regions. According to the Oxford Dictionary, poles are usually urban locations, benefiting from agglomeration economies, and should interact with surrounding areas spreading prosperity from the core to the periphery. Observation of naturally occurring growth poles has inclined planners to create new growth poles; the best-known attempt at creating growth poles took place in the Mezzogiorno (south) of Italy, with industrial complexes planned at Taranto and Bari. Such artificially created growth poles, as in France, have not stimulated regional development as much as was hoped. Monsted (1974) and Parr (1999) agree that the

widespread use of the growth pole concept is reflected in the number of conferences and publications on the subject, as well as the apparent positive outcome of its application in developed countries in Western Europe (Mandala Gantsho, 2008).

The main idea of the growth poles is that economic development or growth, is not uniform over an entire region, but instead takes place around a specific pole. This pole is often characterized by a key industry around which linked industries develop, mainly through direct and indirect effects. The expansion of this key industry implies the expansion of output, employment, related investments, as well as new technologies and new industrial sectors. Because of scale and agglomeration economies near the growth pole, regional development is unbalanced. Transportation, especially transport terminals, can play a significant role in such a process. The more dependant or related an activity is to transportation, the more likely and strong this relationship. At a later stage, the emergence of a secondary growth pole is possible, mainly if a secondary industrial sector emerges with its own linked industries (This is the main idea developed in *The Geography of Transport Systems*, formally known as *Transport Geography on the Web*, which represents a project that has been ongoing since 1998, Project Director Dr. Jean-Paul Rodrigue, Professor with the Dept. of Global Studies & Geography, Hofstra University, Hempstead, New York, USA).

Figure 1. Representation of growth pole



Source: <http://people.hofstra.edu/geotrans/eng/ch2en/conc2en/growthpoles.html>

Regional development based on growth pole strategy became popular in developing countries in the 1960's, mostly in Latin American Countries, with national governments filled with optimism about its benefits for economic growth and social progress (Angotti, 1998). Ironically by the 1970's, the interest in the growth pole concept in developing countries had dwindled, after its application failed to record the anticipated outcome (Gilbert, 1974; Conroy, 1973; Moseley, 1973).

The discussion on definitions of the growth pole and literature review identified five key factors as influencing growth at these centers. Firstly, there should be a proven economic base, which can sustain growth through exploitation of local natural resources. Raw materials like minerals whose exploitation might trigger a chain reaction as more economic activities move in to take advantage of the natural resource base (Manyanhaire, Mhishi, Sivotwa and Sithole, 2009). This gives space to a second characteristic of the existence of high potential for the development of substantial forward and backward linkages with the surrounding hinterlands. The third factor has to give attention to the availability of adequate resources,

both physical and human to sustainably feed the growth pole. These centers also have the potential to facilitate the process of industrial decentralization by providing alternative but viable investment opportunities. Lastly, they are established in places where there is already some potential for economic growth and the role of government being to stimulate and support this potential until the process of economic growth becomes sustainable and equitable.

In Romania, the necessity for developing growth centers is included in the Operational Regional Program for 2007 – 2013 and it is based on regional development law (Law no. 151/1998), modified through Law no. 315/2004, respecting the European Commission Regulation no. 1059/2003. So, according to these regulations in order to have an equilibrium development, the cities that are the county residence should be used as social and economic development engines, representing in fact the definition of growth poles. In the same time, the effects of the agglomeration of small and medium cities from the preponderant rural areas can be used if these effects were proven. The objective of the Operational Regional Program 2007 – 2013 is to support an equilibrate economic and social territorial development, corresponding to the regional needs and resources, using the growth poles and developing the infrastructure and the business environment for increasing the attractiveness of the Romanian regions for investors, tourists and also for their inhabitants.

So, considering all these aspects, as it follows we will try to present, from our point of view the idea and also the necessity of creating a growth pole in the region Alba and Hunedoara County, concentrated on the present cities of Alba Iulia and Sebeș.

3. Growth pole Alba Iulia – Sebeș – Concept description

Alba Iulia – Sebeș is an entity that does not exist today but, certainly there will be in the future. The sooner this entity will be established the sooner the effects for both Alba Iulia and the Sebeș will be visible. There is a window of time about one year, very short, to convince the two cities' population of the need of their fusion with the preservation of their heritage. To these two cities it has to be added the villages of Ciugud and Pianu in the minimal variant, and in the optimal variant the villages Ighiu, Sântimbru, Cricău, Galda de Jos, Stremț, Mihaiț, Daia Română and City Teiuș.

This fusion is very important both for its future localities component but also for the future of Alba County, which in the perspective of 2013 will have profound transformations, being possible to disappear in one alternative, or to become an administrative unit of a administrative region of which center will be in a bigger city in another alternative, or to become a coagulation center of a region with the capital in this area in an optimum alternative (optimum, from our point of view). To accomplish such a goal there is need to involve all stakeholders in the area, to harmonize their individual aims and to show them that this is the right to act in this period and also the right thing to do for developing this community, community to which they belong also.

4. Description of present situation

The thirteenth administrative units that will be the component elements of the new growth pole that we are proposing are particular through the following statistic data: (1) **Alba Iulia** has a surface of 104 square km and a population of 68,181 inhabitants at July 1st 2010 being rank as 37th place in the 41 capitals of the Romanian counties, being surpassed even by cities that are not county capitals such as Hunedoara and Bârlad. The city evolution after 1990 is characterized through the following important data: at the census in 1992 the city had a population of 71,168 inhabitants that decreases to 66,404 inhabitants at the census in 2002

and recorded a minimum of 66,000 inhabitants in 2006, since the population started to increase slowly to the level of 68,181 inhabitants. Alba Iulia has been ranked as 39 from the 41 county capitals until appeared Ilfov County, which shows that Alba Iulia as county center did not succeed in polarizing the county as it could be, the report between the county center and the following city in the county being 1/2.3; (2) **Sebeș** has a surface of 116 square km and a population of 28,911 inhabitants at July 1st 2010 being rank as 80th place in the cities of the Romania. The population of Sebeș was in 1992 of 29,754 inhabitants decreasing to 27,754 inhabitants in 2002 and recording the lowest level in 2006 of 27,000 inhabitants since the population started to increase slowly to the level of 28,911 inhabitants; (3) Village **Vințul de Jos** has at July 1st 2010 a population of 5,388 inhabitants and a surface of 85 square km; (4) Village **Ciugud** has at July 1st 2010 a population of 2,817 inhabitants and a surface of 44 square km; (5) Village **Ighiu** has at July 1st 2010 a population of 6,567 inhabitants and a surface of 128 square km; (6) Village **Sântimbru** has at July 1st 2010 a population of 2,981 inhabitants and a surface of 44 square km; (7) Village **Galda de Jos** has at July 1st 2010 a population of 4,852 inhabitants and a surface of 90 square km; (8) Village **Cricău** has at July 1st 2010 a population of 2,190 inhabitants and a surface of 51 square km; (9) Village **Stremț** has at July 1st 2010 a population of 2,583 inhabitants and a surface of 69 square km; (10) Village **Pianu** has at July 1st 2010 a population of 3,469 inhabitants and a surface of 115 square km; (11) Village **Mihălț** has at July 1st 2010 a population of 3,429 inhabitants and a surface of 65 square km; (12) City **Teiuș** has at July 1st 2010 a population of 7,458 inhabitants and a surface of 45 square km; (13) Village **Daia Română** has at July 1st 2010 a population of 3,098 inhabitants and a surface of 30 square km.

5. Growth pole Alba Iulia – Sebeș – Solution for regional development

So, considering all these statistic data the total surface of the future growth pole of Alba Iulia – Sebeș will be of 986 square km and the population of 141,900 inhabitants. The new city will be ranked on 18th place after Târgu Mureș and before cities like: Baia Mara, Botoșani, Satu Mare, Piatra Neamț, Râmnicu Vâlcea, Suceava, Drobeta Turnu-Severin, Târgoviște, Târgu Jiu, Focșani, Tulcea, Reșița, Hunedoara, Bistrița și Deva.

Considering the new administration structure will need 50 local counselors less, 5 mayors less and 5 vice-mayors less also, that will led also to savings to the local budget. Considering the other earnings from this project we can point out the following: (1) creating a growth pole at supra-regional level with increased attractively for Alba and Hunedoara Counties, which in 2030 will have approximately 160,000 inhabitants in the average alternative slowing the population decreasing process in Alba County; (2) access to A1 highway and 4th European Road Corridor; (3) access to 9th European Railway Corridor; (4) possibility of modernizing the railway stations from Coșlariu and Vințu de Jos for freight and passengers; (5) possibility of developing at the intersection of A1 highway with the express road Sebeș – Alba Iulia – Turda a large logistic park for Central Transilvania in the area of Cluj-Napoca, Târgu Mureș and Bistrița due to the fact that the A3 highway will be finished, at present speed of building, in approximately 20 years; (6) building the airport Alba – Hunedoara at Pianu de Jos or Șibot – Aurel Vlaicu; (7) developing as industrial park the area Sebeș – Vințul de Jos; (8) developing as industrial par also the area of Galda de Jos – Oiejdea – Sântimbru; (9) developing as residential areas the villages Ighiu, Cricău, Ciugud and Vințul de Jos; (10) developing as recreation areas the following locations: Ighiel, Galda de Sus – Poiana Gălzii, Pâclișă – Pârâul lui Mihai, Pianul de Sus – Strungari – Recea, Mamut Mountain, Țelna – Cricău – Piatra Crăivii; (11) developing the superior education programs in Sebeș for military units; (12) cultural development of the future city by establishing the Drama Theater in Lancrăm, the Opera and Symphonic Orchestra in Alba Iulia; (13) increasing the prices of real

estate between 30% and 100% depending on the area; (14) creating approximately 7,000 new jobs in the industrial and logistic parks and over 1,000 new jobs in commerce and services; (15) attracting foreign direct investment in industrial and logistic parks in Sebeș, Coșlariu and Vințu de Jos; (16) strong polarization of Alba territory beyond Aiud, Blaj, Cugir, Zlatna from Alba County and Geoagiu – Orăștie from Hunedoara County and reviving the areas of Trascău (Zlatna Town and villages Râmeț, Ponor, Mogoș, Întregalde, Meteș, Almașu Mare) precum și a celei mai disadvantaged area from the Center Region and the Secașelor Plateau including the villages: Berghin, Ohaba, Roșia de Secaș, Șpring, Doștat; (17) developing a strong commercial area between Alba Iulia and Sebeș at Lancrăm – Trei Poduri; (18) developing together with “1 Decembrie 1918” University of Alba Iulia and the Chamber of Commerce and Industry of the Alba County and exhibition complex; (19) developing a techno pole in the area of Refractara in Alba Iulia.

6. Conclusions regarding the organization and functioning of the growth pole

The new city will be organized administratively on sectors with elected mayors, vice-mayors and counselors of the sector, each sector having at least 5,000 inhabitants and a surface of minimum 100 square km. From our point of view, there could be established the following sectors: (1) Sebeș Sector with a surface of 116 square km and a population of 28,611 inhabitants; (2) Alba Iulia Sector with a surface of 104 square km and a population of 68,161 inhabitants; (3) Ighiu Sector with a surface of 128 square km and a population of 6,567 inhabitants; (4) Galda de Jos – Cricău Sector with a surface of 141 square km and a population of 6,757 inhabitants; (5) Teiuș – Stremț Sector with a surface of 114 square km and a population of 10,041 inhabitants; (6) Sântimbru – Mihalț Sector with a surface of 109 square km and a population of 6,410 inhabitants; (7) Ciugud – Daia Română Sector with a surface of 74 square km and a population of 5,915 inhabitants; (8) Vințul de Jos – Pianu Sector with a surface of 116 square km and a population of 28,611 inhabitants.

Regarding the management of the new city, it will be needed of a Common Hall elected with a representation of one counselor to 5,000 inhabitants with vote right, with circumscriptions organized on sectors. There will be also the 8 mayors of the sectors and the mayor of the new city elected directly, which will have also the status of a counselor. The City Hall and the Sectors Hall will have proper administrative structure which will be dimensioned related to the attribution given by law, by city status and the decisions of the Common Hall. In order to harmonize all interests, including the political one, there is necessary to form a supporting committee for developing the concept, which will include experts from all fields of activity.

Considering the separation of attributes and tasks in the future administrative organization, the city and the sectors will have distinct responsibilities. As a proposal regarding these attributions, they could be separated as it follows:

a) For the city: (1) territory organization of the city: cadastre, city planning, localities network, city road, water network, sewerage, electricity, gas, investments and projects; (2) population and housing: population evidence on inhabitants and localities, marriages and divorces, unemployment, young population, old population, population's incomes, policy for housing; (3) economic and territorial development of the city: the Chamber of Commerce and Industry of the City, city marketing, administration of the industrial and logistic parks, cluster development and monitoring, investment attraction, services for companies, Chamber for Agriculture of the City, City Forest Hall; (4) supporting the educational system through high-schools, professional schools, universities, research, innovation, competition with other cities, culture and local heritage, sport; (5) services for population: health, social assistance, transportation between localities, recreation activities; (6) urban: person's safety, quality of housing, air, water, soil and subsoil pollution, social groups' safety, local justice; (7) city

budget: taxes and payments, collecting, monitoring, planning and execution of the sectors' budgets.

b) For the sectors: (1) organizing the territory of the sector: urban planning, detailed planning, authorizations, vacation houses, discipline in constructions; (2) services of population evidence: marriages and divorces, unemployment, young population, old population, population's incomes, policy for housing; (3) road maintenance, local transportation, sector network of water and sewerage maintenance; (4) education: nurseries, kindergartens, gymnasium education, medical services for family, medical center, sector library, cultural centers and sectors clubs; (5) budget: city and sector tax collector, execution, control and report of the payments, approvals of payments; (6) urgent, risks and natural disaster situations' management; (7) administration of forests in the property of sectors hall and the citizen according to the legal norms and administration of sectors' fields.

References

1. Angotti, Tom (1998), *Ciudad Guayana: From Growth Pole to Metropolis, Central Planning to Participation*, Paper Presented at the Latin American Studies Association Conference, Chicago, September 1998.
2. Conroy, M.E. (1973), *On the rejection of 'growth center' policy in Latin American regional development planning*, *Land Economics*, vol 49: 317-380.
3. Darwent, David, *Growth poles and growth centers in regional planning-a review*, *Environment and Planning*, vol. 1 (1969), pp. 5-32.
4. Gantsho, Mandla S.V., *Cities as Growth Poles Implications for Rural Development*, Annual Meetings Seminar held in Maputo, Mozambique, 2008, <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Knowledge/30732302-EN-DR-MANDLA-S.V-GANTSHO-CITIES-AS-GROWTH-POLES.PDF>
5. Gilbert, Alan (1974), *Growth Poles: the instant solution to regional problems?*, In: R.S. Thoman (ed.): *Proceedings of the Commission on Regional Aspects of Development*. Vol. 1: *Methodology and case Studies*: 111-128. Toronto: Allister Publishing.
6. Manyanhaire, I.O. Mhishi, B Svotwa, E. and Sithole, N., (2009), *Growth Points or Declining Points? A Case of Magunje Growth Point in Mashonaland West Province of Zimbabwe*, *Journal of Sustainable Development in Africa*, Volume 10, No.4, 2009, pages 506-519.
7. Manyanhaire, I.O., Rwafa, R., Mutangadura, J., *A Theoretical Overview of the Growth Centre Strategy: Perspectives for Reengineering the Concept in Zimbabwe*, *Journal of Sustainable Development in Africa*, Volume 13, No.4, 2011, ISSN: 1520-5509.
8. Mayhew, Susan, *Dictionary of Geography*, Oxford University Press, <http://www.answers.com/library/Geographical+Dictionary-cid-15086979>
9. Monsted, Mette (1974), *François Perroux's Theory of "Growth Pole" and "Development Pole": A Critique*, *Antipode*, vol. 6, Issue 2: 106-113, July 1974.
10. Moseley, M.J. (1973), *Growth center: a shibboleth?*, *Area*, vol. 5:143-150.
11. Parr, John B., (1999), *Growth Pole Strategies in Regional Economic Planning: A Retrospective View. Part 1: Origins and Advocacy*, *Urban Studies*, Vol. 36(7): 1195-1215.

12. Rodrigue, Jean-Paul, The Geography of Transport Systems, Dept. of Global Studies & Geography, Hofstra University, Hempstead, New York, USA
<http://people.hofstra.edu/geotrans/eng/ch2en/conc2en/growthpoles.html>

CHANGE IN THE MINDSET? - EMPIRICAL EVIDENCE ON THE ROLE OF MULTINATIONAL COMPANIES IN THE EVOLUTION PROCESS OF SMES

Viktória JÓZSA

*Szent István University, Enyedi György Doctoral School of Regional Sciences, Gödöllő,
Hungary*

E-mail: viktoria.jozsa@gmail.com

Summary: Hungary is one of the so-called ‘Detroit East’ countries where automotive industry has an outstanding and continuously increasing importance. This industry generates high value added investments and research and development and innovation (RDI) activities year by year and contributes significantly to the competitiveness of the local and national economy. The author’s basic hypothesis is that multinational companies, OEM (Original Equipment Manufacturers) and Tier 1 (first level, direct suppliers of OEMs) both, can become strategic allies of local actors in the development path designation process of a specific location, especially in case of mid-size, or second-tier cities. The local integration of these companies is an ongoing process, supporting the shift of these former ‘low cost locations’ to future RDI locations. The borderline between the traditional sector of the local economy and the exogenous actors (multinational companies) is becoming less definite and the subsequent development activities are strengthening the endogenous potential of the area. There are several milestones and facts underlining this tendency but in this article the author focuses on the role of multinational companies in the evolution process of SMEs and the future potential and trends in their relationship. The author examines three Hungarian case studies from Győr, Kecskemét and Miskolc and Audi, Daimler and Robert Bosch. The research has a strong empirical character and is process-oriented. The objective of the study is to prove the hypothesis by specific examples and better understand the success factors and obstacles in this process.

Keywords: automotive industry, multinational companies, SMEs, endogenous development, local integration

1. Introduction

According to Friedman, globalisation 3.0 has brought a shift in the drivers of globalisation and created major new challenges for local economic development (Friedman, 2005). The solutions called for an orientation toward ensuring that all participants in a local economy make maximum contributions. The recovery from the global recession means a clear shift from the “traditional” ideas and requires an economy focused on reinventing itself through new technologies, innovations, and renewed commitments to ethical leadership in both the public and private sectors. The competitive advantage of firms in the new economy has been greater specialisation that results in more interdependency with other firms and organisations. When leading-edge firms need specialised skills, they “hire” other companies and form ‘virtual corporations’ to produce one product or service and then recombine with entirely different sets of companies for another product or service. Firms with well-developed networks are flexible, able to identify and select strong suppliers as well as to penetrate new markets. In a networked economy, the skills of suppliers are as important as the skills within the firms (Blakely and Leigh, 2010). This process is very similar to what is called ‘matrix organisation’ in project management literature. Multinational companies and SMEs as

members of the supplier network can reduce income-, earnings- and spatial inequality that are resulted by globalisation.

2. Methodology

The author's basic hypothesis is that multinational companies, OEMs (Original Equipment Manufacturers) and Tier 1 companies (first level, direct suppliers of OEMs) both, can become strategic allies of local actors in the development path designation process of a specific location, especially in case of mid-size, or second-tier cities. They can contribute significantly to the successful and sustainable development of an area. Through the Quadruple Helix (QH) model, their connections with the local economy and society elements can be captured. Following the presentation of the global, Central European and Hungarian environment, the author focuses on the role of multinational companies (MNCs) in the evolution process of SMEs and the future potential and trends in their relationship. The author presents three Hungarian case studies from Audi in Győr, Daimler in Kecskemét and Robert Bosch in Miskolc. The research has a strong empirical character and is process-oriented. The most recent industrial statistics and reports form the basis for references. The objective of the study is to prove the hypothesis by specific examples and better understand the success factors and obstacles in this process.

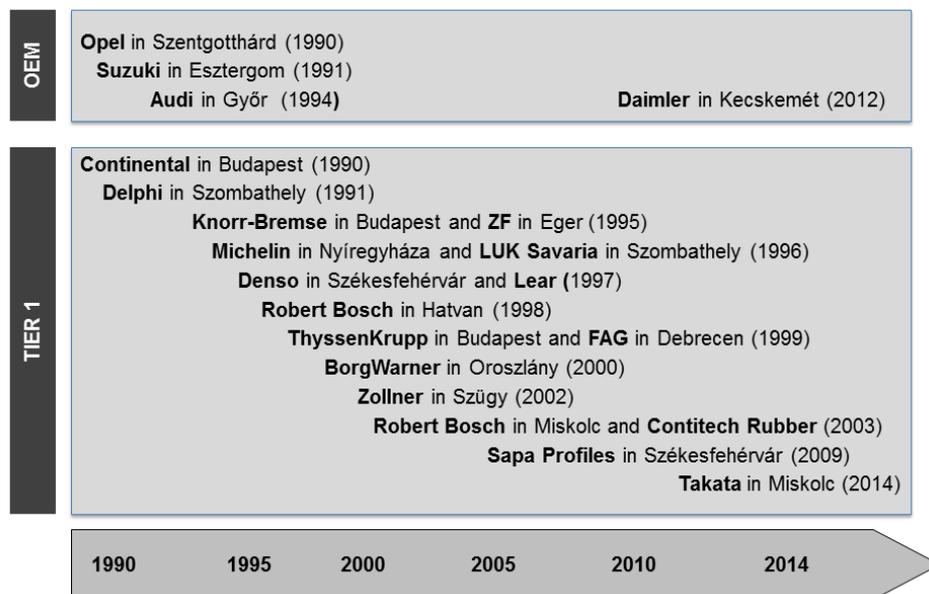
2. Global, EU and national environment

According to the list of the 500 largest companies globally, two companies in the top 10 belong to automotive industry, Volkswagen (Germany) and Toyota (Japan), ranked 8th and 9th. There are 4 other sectors in the list, as retail (rank 1); petroleum (rank 2-6); power (rank 7); and commodities (rank 10). The revenue was 261.5 billion USD for Volkswagen and 256.5 billion USD for Toyota based on the fiscal year ended before March 31, 2014 (Fortune, 2014). The ASEAN Economic Community (AEC) is a goal of regional economic integration by 2015 of the Association of Southeast Asian Nations (ASEAN). The key characteristics envisaged in the framework of the cooperation are: (a) a single market and production base, (b) a highly competitive economic region, (c) a region of equitable economic development, and (d) a region fully integrated into the global economy. In short, the AEC will transform ASEAN into a region with free movement of goods, services, investment, skilled labour, and freer flow of capital (ASEAN, 2014). According to the World Investment Prospects Survey for 2013-2015, transnational cooperations (TNCs) in the manufacturing sector drove a change in preferences on the mode of entry, with almost half of them stating that brownfield investments and exports would be highly important in 2015. This change in the internationalization patterns underlying the importance of exports and of existing operations will likely result in rationalization of foreign operations and refocusing of businesses.

Regarding Central Europe, manufacturing sector has been radically transformed in the last 15 years following the transition. Internationally competitive, modern and efficient manufacturing facilities have started their operations and the automotive industry is one of the crucial manufacturing sectors in the Czech Republic, Hungary, Romania, Slovakia and Poland. According to a recent report in Central Europe, 114 companies (23%) in the TOP 500 belong to manufacturing sector and deliver an average growth of 2.9 %. Manufacturing holds the third place among all sectors and the main driver of its growth is the automotive sector. The average revenue growth for the sector was 5.8% in 2014, a significant increase from 1.7% in 2012. The biggest moves were the big jump of Mercedes-Benz Manufacturing in Hungary and Ford Romania. Global car manufacturers and their suppliers continue to invest

in the CE region as a lower-cost and high-quality base. “The message is clear: this is one of the most important and fast-growing industries in the region.” (Top 500 in CE, 2014). Hungary is one of the so-called ‘Detroit East’ countries where automotive industry has an outstanding and continuously increasing importance (Edmondson, 2005). From the early 1990s, several OEMs and connected Tier 1 companies have started their operations in Hungary. As a good example, Bosch Group has established an automotive electronics plant in Hatvan in 1998, a power tool plant in Miskolc in 2001 and a second plant in Miskolc in automotive industry in 1994. After 2010, several new investment projects were completed by both the OEMs and their Tier 1 and 2 level suppliers in the country (Fig. 1). The level of value-added is continuously increasing in the sector in Hungary, employing more than 120,000 people and producing 18 billion EUR revenue (2013). More than 92% of the production volume is exported and the industry reached 23% increase in the production value from 2013 to 2014. According to OECD, the Hungarian economy has finally entered into recovery in 2013 and the relative importance of automotive sector, which accounts for 18% of all exports, has increased because of new investments (OECD, 2013). Based on these facts and tendencies, Hungary and automotive industry as territorial and sectoral focus are good examples in the CEE region to examine the connections between large enterprises and SMEs.

Figure 1: Location process of automotive OEM and Tier 1 companies in Hungary



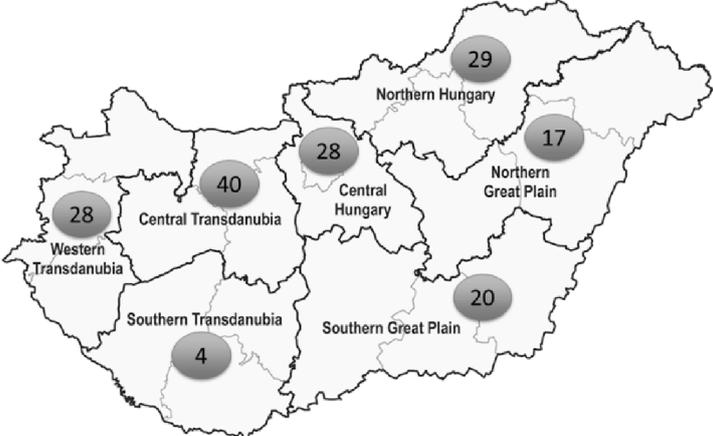
Source: own construction from public data, 2015

3. The supplier base of automotive industry in Hungary

Automotive sector not only brings direct employment and generates wealth but also creates extra wealth and employment in other sectors with a multiplier effect of almost four. Altogether more than 720 companies are working in the automotive sector in Hungary and the industry’s share in the GDP is 10%. Regarding the supplier network of the OEM and Tier 1 companies in Hungary there is a clear commitment from the side of large (multinational) companies to increase the proportion of local suppliers in their supplier network. The Hungarian Investment Promotion Agency (HIPA, formerly: HITA 2014) launched a qualified supplier database that has more than 210 registered member companies, mainly SMEs. Large companies as Audi/VW Group, Mercedes, Siemens, Denso, Knorr-Bremse and Continental are also exploiting the database. A representative of BMW called the Hungarian supplier basis an “invisible factory” as almost 10,000 people are working in Hungary for the German BMW

factory through 54 separate suppliers. The most important, Tier 1 suppliers are Robert Bosch Group, Denso, Knorr-Bremse and Continental. It can be stated that the spatial distribution of these OEM and supplier companies is not equal as it is illustrated on Figure 2.

Figure 2: Location of the biggest automotive suppliers in Hungary

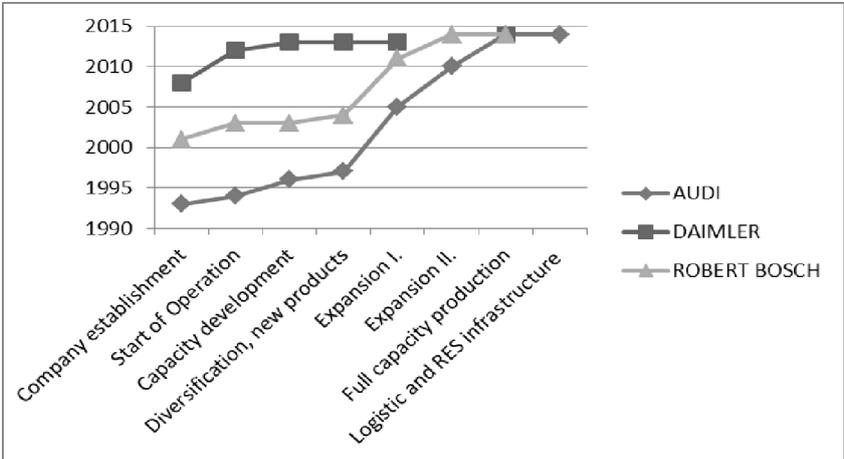


Source: own construction from public data, 2015

4. Results of the empirical analysis

The global economic situation and the dynamics of the market will lead to deep structural changes in the automotive industry, meaning high standards of ecology, safety and comfort. The key factor will be the engineering know-how and this will create the foundations for further development. Considering the role of SMEs and suppliers, the strategies and expectations of the OEMs and Tier 1 companies differ from company to company. In some cases OEMs conduct significant applied research activities and employ a stable and increasing R&D staff additionally to productive workers and administrators, or in their terminus technicus: direct and indirect personnel. OEMs and Tier 1 companies can contribute significantly to the sustainable development of an area, especially to the local economy through their core (compulsory) and non-core (freestyle) activities. Regarding the core activities the basic construction, the subsequent expansions, the production activities and the continuous technology and capacity development can form the basis of cooperation with supplier companies, mainly SMEs (Fig. 3).

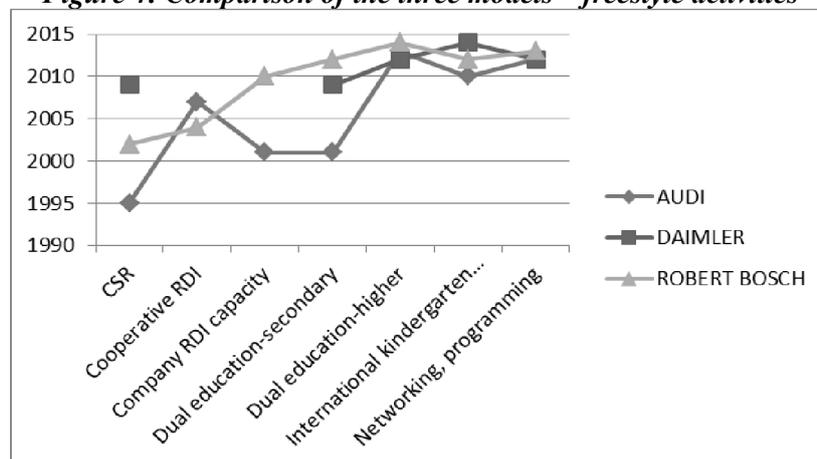
Figure 3: Comparison of the three models – compulsory activities



Source: own construction from public information and empirical analysis, 2015

As a specific example, in case of Daimler, there are about 25 suppliers already delivering to the company seated in Hungary. It is important to highlight that during the construction of the new production facility, the ratio of Hungarian companies was 80%. The investment volume was 800 million EUR and the total area exceeds 440 hectares. In the industrial area of Daimler, 10 suppliers can locate in the short term and an additional 35 in the mid-term. As the company forms a production network with the production plant in Rastatt, suppliers can deliver their products directly to Rastatt also. For Audi, the expansions and the new geothermal RES (renewable energy sources) project with an investment volume of almost 27 million EUR are also good examples. The project is executed in cooperation with PannErgy, with Hungarian majority ownership. Audi Hungaria Motor Kft. has almost 100 Hungarian suppliers recently. As regards the non-core activities, suppliers include service provider companies and other local actors also. The activities presented on Fig. 4 contribute to the endogenous development potential of the examined mid-sized cities as joint RDI centres, clustering, dual education and international kindergartens are comparative advantages of a specific area in the global competition. The importance of these “soft” activities has been significantly increased in the recent era following the global economic downturn.

Figure 4: Comparison of the three models – freestyle activities



Source: own construction from public information and empirical analysis, 2015

As concluding remark it can be stated that in the era of Globalisation 3.0, Industry 4.0 and Open Innovation 2.0, not only companies but also their supplier networks are competing on the global level. The opportunities for existing and potential supplier companies have widened and increased significantly though there are some obstacles as the critical mass of resources, long-term availability of skilled workforce in an area and low level innovation potential and openness of SMEs. The role of China and India will grow and in order to be able to successfully compete with Western European, Japanese, US and Korean competitors, CE companies should skilfully combine high quality, flexibility, profitability and innovation.

References

1. Friedman, T. (2005): It's a Flattened World, After All. *New York Times*, April 3.
2. Blakely E. J. and Leigh N. Green. (2010): Planning Local Economic Development, Theory and Practice. SAGE Publications, Inc., p. 5.
3. Edmondson, G. (2005): Detroit East, *Bloomberg Business*, July 24, 2005

4. Association of Southeast Asian Nations, ASEAN. Available at: <http://www.asean.org/asean/about-asean>, accessed: 3 April 2015.
5. World Investment Prospects Survey 2013–2015, United Nations, Geneva, 2013
6. European Commission (2013): Commission staff working document, Reindustrialising Europe, Member States' Competitiveness Report Available at:
[file:///C:/Users/Nord/Downloads/Report_MSCompet_Sep2014%20\(1\).pdf](file:///C:/Users/Nord/Downloads/Report_MSCompet_Sep2014%20(1).pdf)
7. Fortune Magazine (2015): TOP 500. Available at: <http://fortune.com/fortune500/>, accessed: 5 April 2015
8. TOP 500 in Central Europe 2014. Deloitte. Available at: www.deloitte.com/cetop500, accessed: 11 April 2015
9. Hungarian Investment Promotion Agency: Automotive Industry in Hungary, 2014 and Supplier Registry. Available at: <http://hipa.hu/SupplierRegChoose.aspx>, accessed: 18 April 2015

CLUSTER MANAGEMENT PRACTICES IN ROMANIA AND THEIR IMPACT ON THE DEVELOPMENT OF LOCAL CLUSTERS

Gergely TÖRÖK

*Babeş-Bolyai University, Faculty of Geography, Cluj-Napoca,
E-mail address: torokgergo@yahoo.com*

Summary: In our days, clusters and cluster policies have begun to play an increasingly important role in the economic and political environment alike, being mentioned more and more often in relation to new development policies as an easy solution for the complex problems of the economy. Since the elaboration of cluster theories, the concept itself has undergone considerable modifications, gathering numerous supporters but - especially in recent years - a series of critics as well. During recent years in Transylvania, following a well-established trend in the European Union - a series of cluster initiatives have started to appear, fuelled either by bottom-up initiatives of companies, research institutions from related industries or third party organizations seeking financial gains from cluster management services or external funds. In accordance with the guidelines of the European Cluster Excellence Initiative (ECEI) - initiated by the European Commission, aimed at the development of methodologies and tools in order to support cluster organizations to improve their capabilities in the management of networks and clusters - the present paper aims to analyse the clusters of Transylvania from five different points of view (cluster actors, typology and structure, financing, strategies and achievements), considering elements regarded to have the greatest influence on the successful functioning of such structures. Although the aim of the ECEI with above indicators was to be able to award different labels to clusters across the European Union, our objective is to analyse the managements structures and behaviours of clusters during a longer period, following the changes of direction and different approaches in time.

Keywords: clusters, management, certification, regional development

1. Introduction

All over the world there are a wide variety of cluster definitions, each adding different elements, trying to better describe the multitude of connections and relations which make up a cluster in the real sense of the word. But probably none of them sums up the idea better than the one from Lefebvre, professor at the Ecole des Mines de Paris, who says that “There is no real adequate definition for a cluster. In reality, there are very different types of clusters to be found, involving different types of partners from industry, research, education, policy, (...). The two most famous examples of clusters, Silicon Valley and the Italian districts, are extremely different in their nature and ways of bringing the actors together” (Committee of Regions 2010). Although even the name has suffered a series of changes (competitiveness pole, industrial agglomeration, etc.), the basic concept has essentially remained the same, representing the close cooperation between companies, research institutions and other stakeholders in a geographically delimited area.

Nowadays, probably the most well know definition is given by the man considered the “father of cluster theories”, who said that clusters are “a geographical concentration of firms interconnected by being part of the same industry or the same supply chain, by a common resource or market, by a similar philosophy, by facing similar opportunities and challenges”

(Porter 1994). A somewhat different approach can be observed in the works of Andersson, who defines clusters as a “critical mass of actors, resources, competences (in absolute terms - in relation to cluster competitors in other regions – but also in relation to other cluster candidates in the respective region) in order to sustain interaction between the cluster actors in the long term and to attract new members” with an existing “interaction and cooperation of firms which carry marked features of both competition and cooperation” (Andersson et al. 2004). While we could find a series of other definitions, we consider that the main characteristics and key points are summed up by Porter: “A cluster, then, is an alternative way of organizing the value chain”, emphasizing on the importance of geographical proximity which results in repeated exchanges, better coordination and a robust organization form leading to advantages in efficiency, effectiveness and flexibility (Porter 1998).

Resulting from the above definitions it is plain to see, that the variety of cluster types involve a variety of activities, different types of members (public authorities, research institutes, catalysts and companies) and can have different objectives, therefore they need to be organized and managed in a variety of different ways in order to meet the needs and demands of the members and the economic environment. This on the other hand usually has a significant impact on the type and structure of clusters, the management, the financing mechanisms as well as the development strategies and results as an independent structure.

In the last years, the role of clusters in promoting economic development has been widely recognized across the EU, clusters playing an important role in promoting competitiveness and innovation, in developing new knowledge, transforming it into services and products while at the same time creating jobs and stimulating growth. An efficient cluster management is a key element for being able to harness this potential, as it has been demonstrated by the European Cluster Excellence Initiative (ECEI), which pointed out the existence of a direct relationship between the strategies and the quality of cluster management organizations and the effects on business, R&D and internationalization activities of cluster participants.

2. Certification – The European Cluster Excellence Initiative

During the 2009-2012 period, the European Cluster Excellence Initiative (ECEI) which was started by the European Commission has aimed for the development of methodologies and tools for cluster organizations to improve their capabilities in the management of networks.

In the absence of a proper management, the chances that the cluster will be able to achieve its mission and objective to support its members, the industry and the region as a whole cannot be ensured. Therefore, in order to provide a proper management assessment tool, the European Cluster Excellence Initiative (ECEI) has created the base for a mutual understanding of cluster management excellence as well as a way to measure and improve it. The approach has turned out to be quite complex, but – in spite of its complexity – it has a high applicability and has proven to be a very effective tool in assessing the stages of development in the case of clusters as well as in helping them improve and develop as an excellent cluster organization. In this sense, along with the framework for labeling cluster management a set of 31 quality indicators has been developed along with the corresponding assessment approach. The aim of this new tool was the desire to have a quality labeling system for professional cluster management accepted and recognized throughout the EU.

Another important benefit for developing such a methodology which has been overlooked by the ECEI initiative is the level of trust ensured by such a widely accepted label in relation to third party organizations. With a series of funding opportunities available, cluster initiatives created in the last period in Romania (but in other parts of Europe as well) have often been used as instruments for attracting EU funds, at the same time lacking the ability, but also the desire to represent common interests of member organizations or to initiate a closer

collaboration among them. Since any association fulfilling some criteria regarding the types of members could become a self-proclaimed cluster, the cluster concept itself had become diluted, the title itself being no guarantee for a functional structure behind the name.

Labeling clusters is not new as such. Most EU Member States all over Europe have already started setting up cluster support programmes, often focusing on the most competitive sectors of the economy. However, the applied selection mechanisms often follow national priorities or political objectives and most often have no regard for the administrative capacity of the respective cluster organization. According to the ECEI methodology Cluster Management Excellence GOLD Label can be awarded to cluster organizations which have reached a very high level of excellence with regard to the quality criteria and are striving to become ever better. The rationale of the GOLD Label is to demonstrate that the cluster organization not only has an excellent status of cluster management, but that it has also implemented a comprehensive process of further improvement. This further indicates that being awarded the GOLD Label, a cluster organization is in a process of continuous improvement. A Cluster Management Excellence BRONZE Label on the other hand is awarded to cluster organizations taking part in a self-assessment based cluster benchmarking process and receiving feedback regarding areas for further improvement and feasible improvement measures.

3. Cluster Management Excellence BRONZE Label in Northern Transylvania

In Romania at the moment there are around 73 cluster organizations in total, of which 45 are registered with the ClusteRo Romanian Cluster Association. Up until now, out of the 73 clusters a total of 15 Romanian cluster organizations have been awarded the Cluster Management Excellence BRONZE Label of the European Cluster Excellence Initiative. It is worth mentioning, that in the EU there are a total number of 689 clusters with BRONZE Label certification and 47 organizations which have received the Cluster Management Excellence GOLD Label. No Romanian cluster has been awarded the GOLD Label yet.

At regional level, in Transylvania there are a number of 6 clusters certified with BRONZE Label, being proof that all cluster structures have begun to improve the quality of their management. The organizations which have received the above distinction are the Cluj IT, iTechSylvania in the field of IT industries, the Transylvania Furniture Cluster activating in furniture production, the AgroTransilvania and the Regional AgroFood Clusters in the field of food production and processing as well as the PrelMet Transilvania Cluster working in the field of metal manufacturing.

Each cluster has been analyzed based on interviews conducted with cluster managers covering 31 indicators related to the structure of the cluster, management and governance, financing, services provided, contacts and interaction within the cluster as well as recent achievements. All results have been presented by an individual report to the cluster management and have included recommendations for further improvement in line with the requirements of the cluster quality label developed by the ECEI.

In our analysis a greater importance will be given to the clusters from Northern Transylvania which have been awarded the BRONZE Label (Cluj IT, AgroTransilvania Cluster, Transylvania Furniture Cluster), not considering the iTechSylvania cluster, since it represents a spin-off of Cluj IT, in charge of implementing a HR development programme.

3.1. Structure and cluster actors

Regarding the structure of the analyzed clusters, all three of them have more than one year of activity, the IT Cluster being formally registered in October 2012, the AgroTransilvania Cluster in February 2013 while the Transylvania Furniture Cluster in May 2012.

With regard to the members, the Cluj IT Cluster consists of 4 higher education and research institutions, 8 public institutions and catalyst organizations as well as 30 IT companies, all very different in size, from small local initiatives to multinational companies. The geographical coverage of the cluster can be considered the larger Cluj-Napoca area, Cluj having reached the status of the most important IT hub in Romania after Bucharest.

Despite being active in a more traditional type of industry, the Transylvania Furniture Cluster has 7 research entities among its members, including innovative SMEs, research institutes as well as universities. There are a total of 24 members, mainly producers, although the rate of the active members is somewhat lower than in the previous case, which can also be attributed to the fact, that the cluster is territorially more extended. Also we can see a very high number of catalyst structures, from associations to consultancy companies and training centers.

In the case of the AgroTransilvania Cluster we can observe the presence of three large highly companies representative for the food industry in the region, the rest of the members being small family enterprises and farmers brought together under the umbrella of two regional producers' associations. We can also see the presence of two universities from Cluj, the Technical University and the University for Agricultural Studies, as well as a number of three catalysts, in charge with the management of the cluster.

As a surprise we can see neither financial institutions, nor PR and marketing companies among the members. It seems that PR in the case of Romanian clusters is mainly ensured internally, while the financing of common projects is usually provided by EU funded initiatives and new projects have not been attractive enough yet to catch the eyes of financiers.

Regarding the commitment of the cluster members, we have been able to conclude that the most committed members can be found within the Cluj IT cluster, where almost 80% of the members are active within the working groups and the common projects of the cluster, while the participation rate is significantly lower in the case of the other 2 clusters which are also territorially not that concentrated.

3.2. Typology and governance

Looking at the typology and governance, all of the analyzed clusters align to requirements imposed by EU funding programmes – they dispose of own personnel with experience in the management of EU funds as well as network structures similar to clusters, ensuring day to day operations of the organization (management, PR, IT, secretariat, etc.). Also, each cluster organization has a Management Council as well as a General Assembly of the Members.

Although not part of the assessment, if we were to analyze clusters based on transaction costs among members based on a methodology developed by Gordon and McCann in 2000 (Török 2013), we would find that all three clusters fall into the category of social networks. According to the mentioned classification, the furniture and the AgroTransilvania Clusters can be considered old type social networks due to the fact that the sources of innovation are external and the possibilities to attribute revenues resulting from innovation and technological opportunities are low. The cumulateness of knowledge is relatively high in both cases, innovations being reliant on past knowledge and traditions, with a knowledge base concentrated along well established collaboration networks while governance – especially in the case of the AgroTransilvania Cluster – is based on historical networks. In the case of the IT cluster on the other hand, representing a new type of social network, the source of innovation is largely coming from within, with a high level of competition, high opportunities

and an uncertain environment. Because of this, the cumulateness of knowledge can almost be overlooked; the knowledge base is closely reliant on continuous research while the governance is largely determined by the personal relations and the social networks within.

3.3. Cluster Financing

Regarding the financial management of the cluster organizations, all clusters have access fees as well as monthly membership fees. But a very important factor in the case of financing is the access to EU funds which – besides management activities – can also be used for financing innovation, PR, promotion and most important: research and HR development projects. Even though the main purpose of the clusters is to represent their members, on one hand the financial contribution from projects has been a significant incentive for the members to take part in the initiatives, while on the other hand, the financial aid takes away some of the burden from the members' shoulders related to the financing of cluster activities.

3.4. Strategy, Objectives, Services

Probably the most important aspect when talking about cluster management is the long term vision and development strategy as well as the commitment of members to implement the foreseen activities to achieve common objectives. After studying the strategic documents of all three clusters we can see that all of them have well developed and thought through strategies where market challenges have been identified, even if – especially in the case of clusters belonging to the types of traditional social networks – the involvement of members in the decision making process has been difficult. Strategic objectives and action plans have been documented accordingly, although implementation plans are usually determined by the different development projects, since much of the cluster activities are organized around ongoing projects with external financing. On the other hand value chains have been harder to define in the field of IT and the furniture, where in the first case the business environment is very dynamic while in the second case collaboration between the members is more horizontal. Since the clusters are relatively new and with not too much experience on elaborating strategies and implementing action plans we do not have sufficient information on whether or not the actual strategies have been monitored or revised according to results of the previous years. Even though due to length constraints we cannot go into detail related to general strategic priorities like innovation, business opportunities, fostering entrepreneurship, human resources development, marketing and branding, improving cluster-specific framework conditions or internationalization, we can summarize by saying that the Cluj IT Cluster puts high emphasis on the development of HR, branding, internationalization, along with the furniture cluster, while the AgroTransylvania cluster promotes a closer collaboration among its members.

Also the working groups are more developed and more functional in the case of the Cluj IT Cluster, having 5 areas of interest: innovation, entrepreneurship, HR, eHealth and branding, even though the other two clusters also mention areas of interest on their websites. The web presence is similar, the Agro-Transylvania and the furniture cluster both have outdated information on their websites along with some more recent news, while the Cluj IT cluster website has been rethought many times and is updated with fresh and up to date information.

3.5. Achievements, Recognition

Last but not least, the 5th criteria on which the clusters have been evaluated are related to the achievements and recognition received. In this case it is beyond doubt, that all clusters have obtained significant results in the last years, with success stories on international

collaboration, achieving public support for own projects, raising public awareness regarding their field of activity, branding or introducing common products and services, even though an adequate collaborator and customer satisfaction assessment is quite hard to elaborate for such a short period of time. Regarding web and media presence all three structures have been well represented not only within the local, but also the national media, but once again, the Cluj IT cluster has been the one which has managed to attract the most media coverage.

4. Conclusions

Willingness to collaborate among companies in Romania can be considered somewhat lower compared to other EU states, which can be attributed to path dependency and negative experiences in the past. In consequence, when trying to establish cluster organizations there have to be a series of incentives offered to companies in order to overcome this initial barrier and start off on a road towards collaboration with their own competitors.

The fact that in Romania there are already 74 documented clusters (the final number might be higher) is a good indication that old mentalities are changing and evolving, market beginning to recognize, that European or global market presence is not possible without a common initiative and without uniting forces. Even though the BRONZE Label for cluster management excellence can be awarded to any cluster taking part in the benchmarking process, we consider that the aforementioned structures – with the necessary public support and the collaboration of its members – are on their way to achieving the GOLD Label certification as recognition of their efforts for becoming excellently managed organizations.

As we could see, the structure and the management of the clusters is not so much determined by the field of activity, but rather by the ongoing projects and the structures required by financing programmes. Although in the near future we can foresee a reduction of funds allocated to the establishment and financing of local clusters in the EU, there is a strong trend in facilitating a close collaboration among different clusters for creating interdisciplinary working groups and supporting the emergence of cross-sectorial innovations.

The reduction of financing however must not be attributed to the decreasing importance of clusters, quite the opposite – since clusters are becoming stronger and more self-sufficient by profiting from good practices and previous financing, it is considered that external support is not needed anymore, funds being channeled only towards clusters with a greater potential for global presence, directly contributing to increasing the competitiveness of the EU.

References

1. Andersson, T., Serger, S.S., Soervik, J., Hansson, W.E. (2004): Cluster Policies Whitebook, International Organization for Knowledge Economy and Enterprise Development (IKED).
2. Porter, M.E. (1994): The Role of Location in Competition, ”*Journal of Economics and Business*”, 1. p. 35-39.
3. Porter, M.E. (1998): Clusters and the new economics of competition, “*Harvard Business Review*”, November-December, p. 77-90.
4. Török, G. (2013): The clustering potential in Transylvania based on the concentration of economic activities and regional specialization, “*Studia Universitatis Babeş-Bolyai, Series Geographia*”, 2013/2, p. 20-35
5. *** Committee of Regions (2010): Clusters and clustering policy: a guide for regional and local policy makers, Belgium
6. *** European Secretariat for Cluster Analysis (2015): <http://www.cluster-analysis.org/benchmarked-clusters/?country=8a21454fb8154208b59c972ad47bb4ed>

MODELLING OF THE DOMINANT INDUSTRY AS THE ELEMENT OF MANAGING THE DEVELOPMENT OF A BRANCH IN THE REGION FROM A PERSPECTIVE OF BUILDING THE LOGISTIC SUPPLY CHAIN

Robert SAŁEK, Anna WIŚNIEWSKA-SAŁEK

Czestochowa University of Technology, Poland

E-mail: robertsalek203@gmail.com

Summary: The economic development of the country depends on economic development of the regions, which translates into increased pressure on companies from SME sector to raise its economic performance. Focusing on the industry, which dominates in the area, provides the opportunity to invest in it, what can result in improvement of its efficiency. The supporting solution of the local/regional development is the creation of clusters, which in the logistics solutions context provide a strong and organized group, forming a logistic supply chain. This paper presents a proposition for a cluster modelling in logistics perspective and in terms of regional management, also constituting promotion of local branches and the development of micro, small, and medium-sized enterprises in both production and logistics, which are instruments in creation process of the national economy.

Keywords: logistics supply chain, clusters, modelling

1. Introduction

Local development is seen as a whole of qualitative transformation of structure of the local area, concerning the status of its community life and functioning in its traders. (Wojtasiewicz, 2005) The perception of local development in perspective e.g. strategic, creates the possibility to choose a scope that is creating problem, as well as focuses on issues determining the direction and dynamics of development of the territorial units. Entity performing governmental functions in a local development strategy is the basic level of local government, which clarifies established and performs assumed actions. The object, in turn, are environmental needs of inhabitants, treated as a unit of local government, which binds to both potential resources and the economy in the spatial, ecological, social and economic approach. (Kot, 2003) The purpose of local development strategies is their development itself, which in its intentions induces beneficial changes. Building competitive advantage is possible in perspective of finding an industry that can be regarded as dominant for the region. On the one hand, economic globalization absorbs its volume of companies in the SME sector and makes them have limited financial resources in its creation. On the other hand, statistics show a significant share of these companies in the creation of national economies. This raises the contradiction of economic signals from the perspective of the economy and the participating entities. Economic aspirations of the European Union assume a certain unity in this field, hence Polish "market" should seek to unify chosen industrial sectors. The aim of such a consolidation would be to create a few/over a dozen projects that allow one to compete in foreign markets. This solution is possible through the use of resources from the European Fund for the period 2014-2020 arising from the Europe 2020 strategy (more www.funduszeuropejskie.gov.pl). Objectives of the project relate to investments in enhancing competitiveness and innovation development of the national economy. The project can be positively achieved by assuming the connection of the clusters with the same or related industries and then to build e.g. a logistic supply chain. This will allow to use e.g. raw

materials, specialized and skilled workforce or even local capacity to strengthen the regional economy. As a result, different areas of the country could generate strong economic regions that would have the opportunity to compete in, and with foreign markets.

2. Local and regional development - strategic perspective

Building networks in combining clusters and logistic supply chains requires the determination of a strategy. It is an essential element of the whole process because it is important to define the objectives at all levels of strategic management. The strategic perspective must be also integrated into the area strategy and therefore consistent with the strategy of the region.

The construction process of local development strategies is perceived from the perspective of: vision, an entrepreneurial culture and the spatial order.

Local development strategy can fulfill several basic functions which include:

- activation function, starts and activates the team and group thinking on development, conceptual problems, related to the future of the local system;
- concentration function, focuses on the most important problems of the local unit from the standpoint of maximum use of municipal resources;
- orientation function, depends on the orientation of any local activity following in the direction of implementation adopted strategy, vision and goals;
- coherence function, provides opportunities to harmonize, mitigate and eliminate tensions in relations with members of the local community;
- flexibility function, allows one to develop skills that apply to present identification and elimination of undesirable factors that may occur in the near future. (Strzelecki , 2008)

Another advantage of building and implementing a local strategy - besides the local development - is its role in positioning, which strengthens the participation of local entrepreneurs in a competitive market. Regional development strategy in the literature is defined as the determinant of social and economic changes. On one hand, the strategy gives the development objectives, on the other, it is an environment (concentration of factors and entities) that holds resources, tools, instruments and mechanisms that implement these goals. Development of the region depends on the directions and actions taken in the process of strategic decisions. (Ślusarz , 2006)

Planning is a form of creation of a regional development strategy, which sets out the principles of the regional structure. Its desirability is developing benefits - developing strategic goals - by the strategy entity that simultaneously have its impact on the subject of development strategies. The benefits of the desirability of the strategy come down to principles of regional development policy, as well as activities, resources, procedures, and techniques of strategic planning. (Ślusarz , 2006)

The process of constructing a regional development strategy has a dimension of decision and time, and involves several steps (Wiatrak, 2006)

- STEP 1. Input assumptions: describe the determinants of the region development at a time;
- STEP 2. Diagnosis of opportunities and risks;
- STEP 3. Structuring development goals: involves performing a very thorough and even skeptical assessment of formulated solutions;
- STEP 4. Projection of region development vision: the formulation of the changes agenda taking two forms: predictive and prospective;
- STEP 5. Instrumentation: allows you to actively exploit and create new tools (strategic and innovative) to influence developmental changes;
- STEP 6. Changes monitoring: activities aimed at controlling the implementation of the strategy.

The whole creation process also includes coordination activities, which should be linked with the continuing development activities, taking place in other sectors of the local economy, thus inducing social recognition in the field of strategic regional changes.

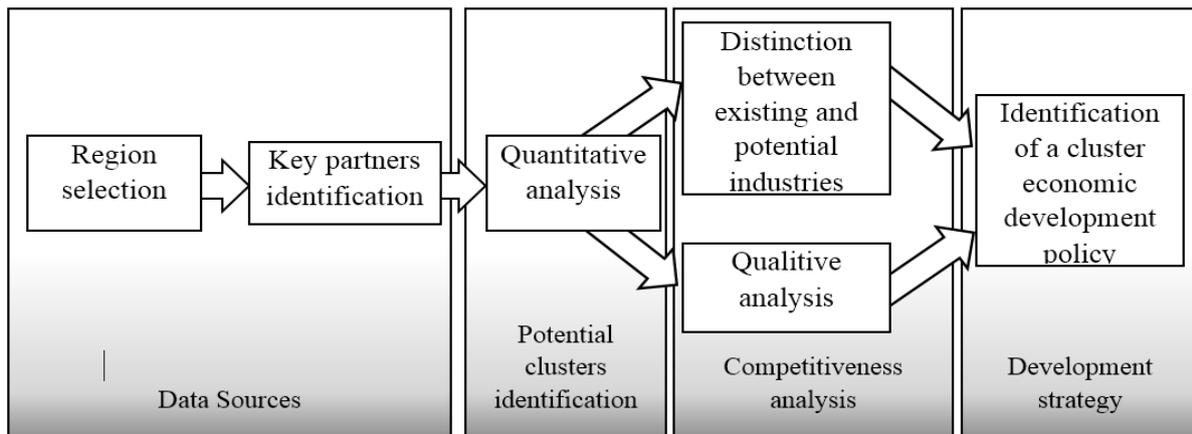
3. Cluster mapping process as an element of modeling the dominant industry

Success in clustering process is dependent on several key elements that exist in the economy. What is important is the appropriate combination thereof in a particular area where the controlled participation and competition bring benefits. Impulses to take certain steps aimed to join the cluster are e.g.: the knowledge transfer, innovation, labor market and employment, market access, competition, entry barriers in the logistic chain, business services, and infrastructure.

- knowledge transfer, is one of the main factors leading to the agglomeration of companies; its basic principle is to search for the company's external sources of knowledge whereas proximity resulting from being in the agglomeration significantly facilitates the exchange of knowledge between companies. This rule also applies to relations of companies with universities or research institutes. Geographical concentration of enterprises is partly generated by people, or more precisely by their need for innovation and knowledge management, which have a solid foundation of mutual trust and understanding (Isaksen, 2004).
- innovation is an important element in creating a competitive advantage. The process of its creation depends to a large extent on the knowledge, ideas, and contribution to society as a whole. In this sense, the company's innovation is strongly dependent on its access to external knowledge and to correlate it with the appropriate external entities that possess it. The geographical concentration of the cluster plays an important role in the process of continuous improvement and innovation, creating a close relationship between innovation and competition of enterprises. Companies located close to each other are much more dynamic competitors, looking for innovation, because they are constantly subjected to pressure and comparisons. In addition, universities located around the industry have a better idea of their needs and are able to take appropriate action, in a manner that reflects the vendors who regularly work with R&D department (Porter, 1998).
- labor market, increasing specialization between enterprises and the distribution of work in the individual processes can lead to achieve economies of scale, which in turn is a generator in building a competitive advantage in the cluster. This solution seems to be very beneficial for small companies because it allows the operation benefits both for themselves and for large companies. Cluster can start a self-perpetuating growth; then the scale will require the division of labor and expertise cooperating entities, which leads to a specialization of labor market, more technologically advanced product, and demand growth. (Sternberg and Litzenberger, 2004)
- competition plays a very important role in the activities undertaken within the cluster. Local market and pressures associated with the action on it, affects managers in a motivating way as they try to outdo each other regarding image and reputation (Isaksen, 2004).

Performing the mapping process that is used to verify the validity initiation of cluster initiative, allowing you to handle it in process of modeling the dominant industry.

Fig.1 Stages of procedure in the clusters identification



Source: Skawińska E., Zalewski R.I., *Klustry biznesowe w rozwoju konkurencyjności i innowacyjności regionów*. Świat-Europa-Polska, PWE, Warszawa 2009, p. 189.

The subsequent stages presented in the figure above are related in their activities to:

- Stage I: Region selection - it is used to identify regions which may constitute the reference point for the next cluster initiatives;
- Stage II: key partners identification - involves an examination of entrepreneurs number (in terms of their statistical conditions in a particular area) involved in the clusters merger, as well as institutions and entities that are participants in a building common cluster;
- Stage III: Quantitative analysis - involves performing calculations using i.e. the location factor (e.g. Florence'a), the rank of specialization or location factor, determination of the force concentration entities (e.g. Ellison and Glaeser agglomeration index) and the opportunity to create a cluster based on clustering index;
- Stage IV: Qualitative analysis - is based on a subjective assessment made by the respondents;
- Stage V: Competitiveness analysis - it allows to explore the external environment of a cluster, which will identify the hazards that may interfere with cooperation undertaken within working in networks. They have their source in the projects of other industries or clusters neighboring with the same profile;
- Step VI: Identification of a cluster economic development - the determination, by the cluster members, of a common mission, policy and activities level that create a cluster strategy. The last step allows one to fasten the entire undertaking in a single project by defining an appropriate strategy. This is the most important part of the whole process of building a dominant industry due to the number of actors and the scale of operations.

Building the domestic industry in conjunction with the logistic supply chain requires clarification of a coherent strategy, which will allow to determine the instruments to build a large project.

4. Logistics approach to the dominant industry in the strategic perspective

Leading business activity in a global environment requires participation in a dynamic and spontaneous process, and it is associated with a flexible “international life” (Luoma, 2006) and the adaptation ability. The intensity of the internationalization process does not have a single character, but an important issue in the field of international management. The expansion creates opportunities for determining the rate of growth, but also plays an important role as a tool to improve strategic management in the enterprise. The presence of

internationalization, globalization, regionalization, and integration in the socio - political - economic area is largely the effect of functioning of companies and groups of people, where the broad internationalization processes involve different business areas. (Becker and Freeman, 2006) The choice of strategy depends on evaluation of the competitive relationship between the downward pressure on costs and matching offers to local markets (Godet, 2000). Maintaining a competitive advantage on a global scale requires improving the effectiveness through its optimum relationship between global integration and the efficient undertaking of actions, and their local adaptation. The choice of the strategy with the parameters describing the particular market in which the company prospers. (Szymczak , 2005, p 222.)

There are the following four main types of cross-border corporate strategies:

- transnational strategy is the most difficult and the most advanced tactic, which requires both developed resources and skills; (Pierścionek , 2011)
- multinational strategy is a strategy with intensive pressure on matching production and sales to local domestic markets, combined with weak impact on costs in countries where foreign affiliates are located; (Olszewska, 2001)
- global strategy implements projects aimed to compete all over the world, where they support large segments of customers with standard needs. There are very low costs at the level of this strategy, as well as an excellent technological standard of the product constituting the foundation of a competitive global enterprise; (Romanowska, 2004)
- international strategy is characterized by a low pressure on the local market adaptation and low costs, so taking this kind of strategy is most often the first step in the internationalization of a company. The strategy has a high degree of centralization operational and strategic decisions. (Pierścionek, 2011)

The choice of a strategy type is dependent on the size of the company and its position in domestic market, but also depends on the opportunities that may affect the development of the company. Companies' strategies in the internationalization process are also largely dependent on logistics, which is a scientific field present in all matters related to aspects of enterprise management (Nowakowska-Grunt, 2007) and marketing that is a component of business ventures.

Table 1. External conditions and directions of a strategy in terms of logistics

	Global strategy	International strategy	Multinational strategy	Transnational strategy
Conditions	The same preferences for logistical support in individual markets, equal service opportunities	In a large range similar preferences for logistical support, similar service capabilities	Different preferences for logistical support and / or different service capabilities	Different preferences about the certain elements of logistic services and/or different implementation possibilities of some logistic processes
Direction	Standard (homogeneous) logistic market services, performed globally	Logistic service with a predominance of standard components, realized in a distinct manner on individual markets	Localized, adapted to any market, distinct logistic service	Logistic service realized on the basis for combination of standard and diverse elements

Source: Szymczak M., *Logistyka w strategiach ekspansji międzynarodowej firm*, [w:] Gołemska E. (red. nauk.), „Logistyka w internacjonalizacji przedsiębiorstw Unii Europejskiej”, Wyd. AE Poznań 2005, p. 224

Presented in the table above circumstances and trends of logistics in the individual strategies of companies internationalization indicate the place where the course of logistic action can

support the process of operational effectiveness. The competence of logistics in the company on the international market may include foreign trade, cooperation with foreign cooperator, or independent international activity. (Ciesielski, 2001)

The individual construction elements of the logistic supply chain in terms of the dominant industry should be based on its assumptions on the specific strategy of internationalization. Logistic supply chain should be of global coverage but should exploit the national potential.

5. Conclusions

Working on the cluster mapping is a very important procedure from the standpoint of its creation and regional development, while modeling of the dominant industry is an important procedure in terms of its significance for the development of the national economy. Identifying next steps and their precise analysis will allow companies to prepare for the implementation of new solutions. Building a national economy determines the strength of state in foreign markets. It is very important that the country has at least a few industries that will use their own resources to reduce production costs by government funding of internal operations. The pro-national proceedings in the economic and ecological field will condition the social support. Therefore, the strength of the country will increase stabilizing its position in foreign markets. Actions pursuing to build projects on a national scale requires good preparation and organization; it is necessary to establish some common strategy that will be compatible with the logistics capabilities of the country, also in the field of its infrastructure.

References

1. Becker W.M., Freeman V. (2006): *Going from global trends to corporate strategy*, The McKinsey Quarterly No 3.
2. Ciesielski M., (2001): *Globalizacyjna a logistyczne aspekty konkurencyjności*, [w:] Brdulak H., Gołębiowski T. (red.), „TRANS’01-Wspólna Europa. Przedsiębiorstwa wobec globalizacji”, PWE Warszawa
3. European Communities, (2002): *High-tech SMEs in Europe*, No. 6, Office for Official Publications of the European Communities, Luxembourg.
4. Godet M., (2000): *The art of scenarios and strategic planning: tools and pitfalls*, Technological Forecasting Social Change Vol. 65.
5. Isaksen A., (2004): *Knowledge-based Clusters and Urban Location: The Clustering of Software Consultancy in Oslo*, Urban Studies 41, 5/6.
6. Kot J., (2003): *Zarządzanie rozwojem gmin a praktyka planowania strategicznego*, Wyd. UE Łódź.
7. Luoma M., (2006): *A play in four arenas: How complexity can serve management development*, Manage Learn Vol. 3,7 No 1.
8. Nowakowska-Grunt J. (sc. red.), (2007): *Ekonomiczne i techniczne aspekty zarządzania przedsiębiorstwem*, Wyd.WZPCzest., Częstochowa.
9. Nowakowska-Grunt J., (2010): *Ryzyko w strategiach logistycznych przedsiębiorstw międzynarodowych*, Zesz.Nauk.UE Pozn. nr 157, Poznań.
10. Olszewska B., (2001): *Współczesne uwarunkowania zarządzania strategicznego przedsiębiorstwem. Wybrane zagadnienia*, Wyd. AE im Oskara Langego, Wrocław.
11. Pierścionek Z., (2011): *Zarządzanie strategiczne w przedsiębiorstwie*, PWE, Warszawa
12. Porter M.E., (1998): *Clusters and the New Economics of Competition*, Harvard Business Review, Boston November-December

13. Romanowska M.,(2004): *Planowanie strategiczne w przedsiębiorstwie*, PWE, Warszawa.
14. Sternberg R., Litzemberger T., (2004): *Regional Clusters in Germany—their Geography and their Relevance for Entrepreneurial Activities*, European Planning Studies, Vol. 12/6.
15. Strzelecki Z., (2008): *Gospodarka regionalna i lokalna*, PWN Warszawa.
16. Szymczak M., (2005): *Logistyka w strategiach ekspansji międzynarodowej firm*, [w:] Gołemska E. (red. nauk.), „Logistyka w internacjonalizacji przedsiębiorstw Unii Europejskiej”, Wyd. AE Poznań.
17. Ślusarz G., (2006): Zarządzanie rozwojem przez jednostki samorządu terytorialnego - specyfika, potrzeby i wyzwania, *Problemy Zarządzania*, nr 3(13).
18. Wiatrak A., (2006): Skala regionalna i lokalna – istota, rozwój i zarządzanie, *Problemy Zarządzania*, nr. 3(13).
19. Wojtasiewicz L., (2005): Problemy rozwoju lokalnego w aktualnej polityce gospodarczej, [w:] Trajkowski J. (red.), „Polityka gospodarcza. Studia i przyczynki”, Garmond Oficyna Wydaw., Poznań.
20. www.funduszeuropejskie.gov.pl/2014_2020/Strony/RMprzyjalprojektydokumentowanowaperspektywe_08012013.aspx

GREEN SUPPLY CHAIN MANAGEMENT IN HUNGARIAN AUTOMOTIVE OEMS' PRACTICE

Monika GÁBRIEL

*Szent István University, Gödöllő, Hungary
gabriel.monika@gtk.szie.hu*

Summary: Environmental issues get increasingly important, especially in industries with great environmental impact. Automotive industry is one of these, and in addition, its customers are increasingly environmental conscious. Automotive industry is also a good choice to research supply chain management topics, thanks to its outstanding level of SCM practice. The topic of this article is the green supply chain management practice in Hungarian automotive supply chains, combining the environmental and supply chain questions.

The aim of the paper is to analyse the green supply chain practice of Hungarian automotive OEMs (three car manufacturers and a truck manufacturer). For the analysis I performed a questionnaire survey, which included the topics of motivations and barriers of GSCM, the applied GSCM methods, cooperation in the supply chain and green performance. The results show the importance of GSCM in Hungarian automotive OEMs' operation, the most improved fields and the most popular methods of GSCM. We will see what are the strongest motivation towards green practices, and what improvements do the companies experience in their performance.

Keywords: supply chain management, green supply chain management, automotive industry, OEMs, Hungary

1. Introduction

The aim of the paper is to analyse the green supply chain practice of Hungarian automotive OEMs. The article is focused around three main questions:

- What motivates OEMs to use green supply chain management (GSCM) techniques?
- What kind of methods and techniques are used by OEMs and how developed are the separate fields of GSCM?
- What type of outcome do OEMs expect from GSCM, and what are the performance categories that companies monitor?

2. Green supply chain management – theoretical background

2.1 Green supply chain management principles, fields and methods

One of the main directions of green supply chain management research is the clarification of its fields of application, and the investigation of the applied management methods and techniques. I suggest to make a distinction between fields and principles, where fields are the green equivalents of supply chain activities within the company (purchasing, manufacturing, etc.), with a defined set of methods and techniques, while principles are general management methods that do not belong to any field of SCM (Gábrriel 2013). **Principles** mentioned in the literature are cooperation with the other members of the supply chain, recycling, life cycle management, organisational/management commitment and investment recovery (Dakov and Novkov 2008, Hsu and Hu 2008, Zhu et al. 2008, Eltayeb et al. 2011, Chan et al. 2012, Lin 2013).

The aim of **green design** (or eco-design) is the reduction of a product's environmental impact during its whole life cycle without compromising other essential product criteria, such as performance and cost (Eltayeb et al. 2011). In other words, green design means the design of products or services with certain environmental consciousness. Green design includes design of products for reduced consumption of hazardous materials, design of products for reuse, recycling or remanufacturing, and design of products for resource efficiency (Zhu et al. 2008, Eltayeb et al. 2011, Lin 2011).

The interpretation of **green purchasing** in the literature is quite coincident. The basic idea is decreasing the environmental impact caused by materials used in the products. This can be realised by the selection of appropriate materials and suppliers. Methods and techniques include demanding supplier certifications, environmental management systems (ISO14000, OHSAS18000, RoHS); supplier environmental auditing; establishing environmental requirements for purchased items; professional and financial support to the supplier to reach environmental objectives (Garcia Martinez et al. 2006, Chien and Shih 2007, Hsu and Hu 2008, Zhu et al. 2008, Ninlawan et al. 2010, Eltayeb et al. 2011, Chan et al. 2012, Chen et al. 2012).

The **green manufacturing** process shall use inputs with low environmental impact, work with high efficiency and generate the minimal amount of waste and pollution. The methodology of green manufacturing includes decreasing resource utilization; hazardous substance control; decreasing energy utilization by energy-efficient technologies and increasing the ratio of green energy; and integration of different forms of material reuse into the manufacturing process – disassembly, refurbishment, remanufacturing or recycling (Srivastava 2008, Ninlawan et al. 2010, Chen et al. 2012)).

According to Ninlawan et al. (2010) and Chan et al. (2012) **green distribution** consists of green packaging and green logistics. Green packaging involves downsizing of packages, use of „green” packaging materials, cooperating vendors to standardize packaging, minimizing material uses and time to unpack, adopting returnable package methods, promotion of recycling and reuse programs. Green transportation or green logistics means deliveries directly to the user's site, usage of alternative fuel vehicles, distribution in great batches and change to modal shift.

Two interpretations of **reverse logistics** can be found in literature. One group of researchers (e.g. Srivastava 2008, Eltayeb et al. 2011) view certain types of reuse activities (such as disassembly, refurbishment, remanufacturing and recycling) as part of manufacturing or as a separate set of activities. The other group (e.g. Beamon 1999, Ninlawan et al. 2010, Lin 2013) view them as part of reverse logistics. Although both views have arguments, if we interpret conceptions correctly, only real logistics activities should be considered as part of reverse logistics, which are collecting, inspection and sorting, pre-processing and location decisions and network design (Srivastava 2008).

2.2 Motivation

According to Bala et al. (2008) environmental supply chains emerge where environmental and supply chain pressures are synthesised. These pressures may come from multiple directions. The two external driving factors that are recognized by most researchers are regulations and pressures from stakeholders (Lin 2013, Kálmán 2002). Srivastava (2008) defines three sources of pressure: economical, regulatory and consumer. Kumar et al. (2012) breaks down economical and consumer pressures to smaller elements. Testa and Iraldo (2010) pointed out the importance of internal factors, such as strategy, values and targeted competitive advantages. According to Stevels (2002) the expected advantages of GSCM also function as motivators.

Managerial attitude as a barrier is mentioned by Beamon (2005) and Wooi and Zailani (2010). According to Côté et al (2008) small and partly medium-sized companies had problems with environmentally conscious operation due to lack of time, financial resources and doubts about the benefits of green policies.

Several attempts were made to organize the motivating factors and barriers. Green Business Network and National Environmental Education & Training Foundation (2001) separated primary and secondary motivations, and distinguished between internal and external ones in the primary group. Walker and Jones (2012) has widened the scope to the barriers of GSCM. My two-layered model of motivations and barriers expresses the difference between coercive and soft factors (first layer), while the second layer is about the internal/external and enabler/barrier manner of factors (Gábriel 2014).

2.3 Possible outcomes of applying GSCM

Environmental performance is considered as the most important result of GSCM, since this is the primary motivation for applying its techniques. Environmental performance is interpreted as the reduction of several negative environmental effects. The most often mentioned elements in the literature are: reduction of waste output and emission, smaller carbon footprint; reduction of material usage; reduction of usage of harmful materials; reduction of energy and water consumption; reduction of packaging materials usage; reduction of accidents and safety issues (Dey and Cheffi 2012, Eltayeb et al. 2011, Dos Santos et al. 2013, Kumar et al. 2012, Zhu et al. 2012, Beamon 1999).

The second most often mentioned effects are the ones on **economic performance**. Economic effects can be measured on company performance, primarily in the form of financial and market advantages or disadvantages. Authors define several positive effects, most of which are cost reductions (energy cost, direct materials cost due to less material used, waste disposal cost, fees and penalties) deductible from environmental effects, and the increase of revenues and market share (Kohlhéb and Illés 1999, Lin 2013, Dey and Cheffi 2012, Zhu et al. 2012, Eltayeb et al. 2011, Dos Santos et al. 2013). The strongest negative effects are caused by the large investment requirements of GSCM. The most important effects are the increasing investments and the increasing material costs (due to more expensive materials) (Lin 2013).

According to the most widely accepted interpretation of **operative performance**, these effects are basically economical ones, but their effect on the performance of the whole company is indirect. Operational performance elements mentioned most often in literature are improved product and service quality, improved flexibility, reduced inventory and high capacity utilization (Eltayeb et al. 2011, Dey and Cheffi 2012, Zhu et al. 2012).

Besides the performance categories above, Eltayeb et al. (2011) defines a fourth category, called **intangible outcomes**, which include growing customer satisfaction and loyalty, employee satisfaction, growing brand value, enhanced publicity and marketing opportunities, and better acceptance by local communities.

3. Materials and methods

The research is based on a questionnaire, involving three sections about different aspects of GSCM. The questions were prepared based on the literature. The aim of the **Motivation section** was to find and rank the factors that influence companies in applying GSCM. I have used the categories defined in Gábriel (2014). In **Green supply chain management section** I collected 27 GSCM methods, mentioned in the literature, grouped by type (principle or SCM field of activity). **Green supply chain performance section** explores the performance categories and indices measured by companies.

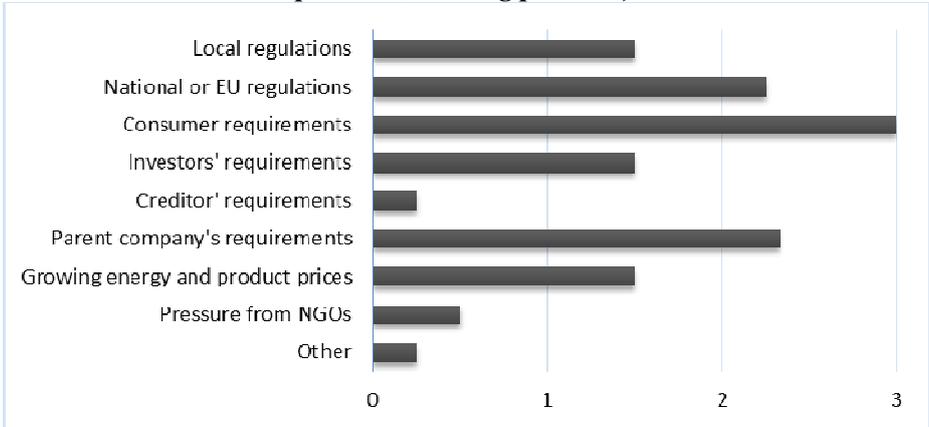
Three car manufacturers and one truck manufacturer, all operating in Hungary, were interviewed. This is 100% of OEMs in Hungarian car and truck manufacturing industry. The three car manufacturers are affiliates of global companies, while the truck manufacturer is owned by Hungarian shareholders.

4. Results

4.1 Motivation

Figure 1 shows the explicit pressure experienced by the companies from different external sources. The strongest pressure comes from consumers, parent companies (in the case of affiliates) and national or EU regulations.

Figure 1 Strength of coercive motivation factors (0 no pressure, 1 slight pressure, 2 moderate pressure, 3 strong pressure)



Source: own research

The strongest soft motivation factors for OEMs were the internal enablers. 6 out of 8 factors were rated at least moderate significance. The strongest motivators were the great environmental risk of core activity and management commitment. External enablers have weaker effect, the most important factor was potential subsidies for environmental development. Less than the half of the internal barriers mentioned in the literature turned out to be relevant for sample companies. The strongest factors were other (non-green) SCM priorities and cost-based strategy. Only 1 of 4 external barrier – pressure on prices – was rated over moderate significance.

4.2 GSCM activities

Green design activities (design for reduced consumption of hazardous materials, for reuse and for resource efficiency) are applied or being implemented by 75% of sample companies. OEMs use a rich toolkit of **green purchasing**. All companies demand product testing reports and bill of materials from suppliers and provide them with design specifications. Demanding supplier certifications or environmental management system, replacing materials with environmentally less harmful ones, setting environmental requirements for purchasing items and demanding product content labelling at supplier are also popular techniques (3 out of 4 companies apply them). Supplier education in environmental topics, professional and financial support to the supplier and second tier supplier environmental evaluation are less used methods (1 or 2 OEMs performs them), but most companies plan or started to implement them.

Three methods of **green manufacturing** (decreasing resource utilization, decreasing energy utilization by energy-efficient technologies and hazardous substance control) are already implemented in 75% of the sample companies. The fourth method, integration of different forms of reuse into the manufacturing process is not yet applied but planned by all four OEMs.

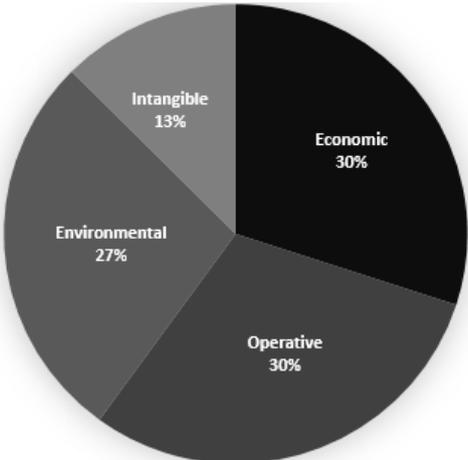
Green logistics shows a heterogenous picture. Green distribution including distribution in great batches and change to modal shift is performed on a high level (applied or at least planned by all companies), while green packaging is applied by half of the companies. None of them performs or plans reverse logistics activities.

4.3 GSCM performance

Companies had to give weights to each performance category mentioned in the literature, the sum of weights was 100%. The results show that environmental performance is slightly less important for OEMs than economic and operative performance, while intangible outcomes are the lowest rated.

Out of **economic performance** indicators, reduction of direct materials cost and reduction of energy consumption cost are the most intensively monitored ones. In **operative performance** the reduction of operational costs, reduced inventory and high capacity utilization were in the top three.

Figure 2 Relative importance of GSCM performance categories



Source: own research

The most important **environmental performance** indicator was the reduction of waste output and emission (3 of 4 companies indicated this as most important). Reduction of material usage, reduction of energy consumption, reduction of usage of harmful materials and reduction of accidents and safety issues were mentioned by half of the companies. Growing customer satisfaction and loyalty, and growing brand value were considered as most important **intangible outcomes** by all companies.

5. Conclusions

Automotive OEMs in Hungary face both with regulatory and market pressure that motivate them to apply green methods in their supply chain processes. The fact that all Hungarian car manufacturers are affiliates of a global automotive company explains the strength of internal enablers, which are closely related to corporate strategy and corporate culture. The main barriers have economical reasons: high investment needs and cost pressure from consumers.

Since OEMs are responsible for product design, green design has probably the largest importance in this echelon of the supply chain. The results correspond with this assumption, as OEMs apply all green design methods. In automotive industry OEMs control the supply chain. This explains the large number and great intensity of green procurement activities. Setting up requirements for suppliers are the most popular methods that ensure that OEMs can purchase the environmentally proper materials and components. Supplier development is not common by now, but the answers suggest a tendency for it. Unlike in traditional supply chain management, automotive OEMs do not control the Tier2 suppliers from environmental aspect. Green manufacturing and green logistics is part of nearly all companies' practice, except for the forms of reuse and their logistics background.

Companies consider the outcomes with economic effect (economic and operative) the most important. Different types of cost reduction were chosen as most important performance indicators, which is in accordance with the intensive competition and price pressure in the industry. Regulatory pressure and growing consumer environmental awareness faced by the OEMs can explain the relatively high importance of environmental performance.

The results of this research are limited due to the small number of companies in the OEM category. Further investigations have to be made on the behaviour of other supply chain members, grouped by their role in the supply chain (Tier1, Tier2, etc.). Another research objective is to establish relationship between GSCM practice and GSCM performance.

References

1. Bala, A. – Muñoz, P. – Rieradewall, J. – Ysern, P. (2008): Experiences with greening suppliers. The Universitat Autònoma de Barcelona. *Journal of Cleaner Production* 16 (2008) p.1610-1619
2. Beamon, B. M. (1999): Designing the green supply chain. *Logistics Information Management* 4 (12) p.332-342
3. Beamon, B. M. (2005): Environmental and Sustainability Ethics in Supply Chain Management. *Science and Engineering Ethics* 11 (2005) p. 221-234
4. Chan, R. Y. K. – He, H. – Chan, H. K. – Wang, W. Y. C. (2012): Environmental orientation and corporate performance: The mediation mechanism of green supply chain management and moderating effect of competitive intensity. *Industrial Marketing Management* 41 (2012) p.621-630
5. Chen, C. C. – Shih, H. S. – Shyur, H. J. – Wu, K. S. (2012): A business strategy selection of green supply chain management via an analytic network process. *Computers and Mathematics with Application* 64 (2012) p.2544-2557
6. Chien, M. K. – Shih, L. H. (2007): An empirical study of the implementation of green supply chain management practices in the electrical and electronic industry and their relation to organizational performances. *Int. J. Environ. Sci. Tech.*, 4 (2007) p.383-394
7. Côté, R. P. – Lopez, J. – Marche, S. – Perron, G. M. – Wright, R. (2008): Influences, practices and opportunities for environmental supply chain management in Nova Scotia SMEs. *Journal of Cleaner Production*, 16 (2008) p.1561-1570
8. Dakov, I. – Novkov, S. (2008): Sustainable Supply chain management – Scope, activities and interrelations with other concepts. 5th International Conference on Business and Management 16-17 May 2008. Vilnius, Litvânia
9. Dey, P. K. – Cheffi, W. (2012): Green supply chain performance measurement using the analytic hierarchy process: a comparative analysis of manufacturing organisations. *Production Planning & Control: The Management of Operations*, DOI:10.1080/09537287.2012.666859
10. Dos Santos, M. A. O. – Svensson, G. – Padin, C. (2013): Indicators of sustainable business practices: Woolworths in South Africa. *Supply Chain Management: An International Journal* 1(18) p.104-108

11. Eltayeb T. K. – Zailani, S. – Ramayah, T. (2011): Green supply chain initiatives among certified companies in Malaysia and environmental sustainability: investigating the outcomes. *Resources, Conservation and Recycling* 55(2011) p.495-506
12. Gábrriel M. (2013): Alapkonceptiók and kutatási lehetőségek a zöld ellátási lánc menedzsmenben. In: "Felelős Társadalom Fenntartható Gazdaság. Nemzetközi tudományos konferencia. Tanulmánykötet/Proceedings." Nyugat-magyarországi Egyetem Kiadó, Sopron. ISBN: 978-963-334-144-5
13. Gábrriel M. (2014): Motivations and barriers of Green Supply Chain Management – A literature review. In: Csaba Bálint Illés – Anna Dunay – Anna Słocińska (editor): *New trends in management in the 21st century (Monograph)*. Częstochowa, 2014. (ISBN 978-83-63500-78-8)
14. Garcia Martinez, M. – Poole, N. – Illés Cs. – Lehota, J. (2006): Food Safety Performance in European Union Accession Countries: Benchmarking the Fresh Produce Import Sector in Hungary. *Agribusiness: An International Journal*, 1 (22) p.69-89
15. Green Business Network – The National Environmental Education & Training Foundation (2001): *Going green... Upstream – The promise of supplier environmental management*. The National Environmental Education & Training Foundation, Washington, US.
16. Hsu, C. W. – Hu, A. H. (2008): Green supply chain management in the electronic industry. *Int. J. Environ. Sci. Tech.* Spring 2008. p. 205-216
17. Kálmán, E. (2002): Környezetvédelmi együttműködés az ellátási láncok mentén. A Budapesti Közgazdaságtudományi and Államigazgatási Egyetem Környezettudományi Intézetének tanulmányai, 10. szám. BKÁE Környezettudományi Intézet, Budapest. p.60
18. Kohlheb N. – Illés B. Cs. (1999): Az adók szerepe a környezetpolitikában. *Gazdálkodás* Vol. 43, No. 2, pp. 55-64.
19. Kumar, S. – Teichman, S. – Timpernagel, T. (2012): A green supply chain is a requirement for profitability. *International Journal of Production Research* Vol. 50, No. 5, 1 March 2012, p.1278–1296
20. Lin, R-J. (2013): Using fuzzy DEMATEL to evaluate the green supply chain management practices. *Journal of Cleaner Production* 40 (2013) p.32-39
21. Ninlawan, C. – Seksan, P. – Tossapol, K. – Pilada, W. (2010): The implementation of green supply chain management practices in electronics industry. *Proceedings of International MultiConference of Engineers and Computer Scientists 2010 Vol III*. Hong-Kong
22. Srivastava, S. K. (2008): Network design for reverse logistics. *Omega* 36(2008) p.535-548
23. Stevels, A. (2002): Green Supply Chain Management Much More than Questionnaires and ISO 14.001. *IEEE International Symposium on Electronics and the Environment*, 2002 San Francisco. p.96-100
24. Testa, F. – Iraldo, F. (2010): Shadows and lights of GSCM (Green Supply Chain Management): determinants and effects of these practices based on a multi-national study. *Journal of Cleaner Production* 18 (2010) p.953-962
25. Walker, H. – Jones, N. (2012): Sustainable supply chain management across the UK private sector. *Supply Chain Management: An International Journal* 1 (17) p.15-28
26. Wooi, G. C. – Zailani, S. (2010): Green supply chain initiatives: investigation on the barriers in the context of SME in Malaysia. *International Business Management* 4 (1) p.20-27
27. Zhu, Q. – Sarkis, J. (2006): An inter-sectoral comparison of green supply chain management in China: drivers and practices. *Journal of Cleaner Production* 14 (2006) p.472-486
28. Zhu, Q. – Sarkis, J. – Lai, K (2007): Green supply chain management: pressures, practices and performance within the Chinese automobile industry. *Journal of Cleaner Production* 15 (2007) p.1041-1052

THE ROLE OF KNOWLEDGE NETWORKS IN THE INNOVATION ABILITY OF THE HUNGARIAN AGRICULTURAL MACHINERY MANUFACTURERS

Árpád BAK, Imre KOVÁCS, Miklós DARÓCZI

Institute of Engineering Management, Szent István University

E-mail address: arpad.bak@gek.szie.hu, kovacs.imre@gek.szie.hu,

daroczi.miklos@gek.szie.hu

Summary: innovation is a basic condition of the competitiveness. The advantage of the innovation could be enforced only, if the new products and technologies are supported by suitable marketing and strategic abilities. The conclusions of our paper are based on the examination results of questionnaires and in-depth interviews that were carried out at 58 Hungarian agricultural machinery manufacturing companies. The characteristic features of the companies that were involved in the examination reflect the situation of the entire sector in Hungary properly. In our paper, we present the knowledge networks activity of the Hungarian agricultural machinery manufacturers in the innovation process efficiency.

Keywords: innovation, marketing, knowledge networks, key factors of innovations.

1. Introduction and objectives

The success of the innovation is decided on the market, therefore it is important that the product development how it is prepared and followed by market research and marketing. It is possible that the earlier phases deficiency can be corrected by marketing activity, but it can also happen that the previous good results can be destroyed by a wrong market activity. Therefore, the harmonization of agro-technological innovation processes is essential.

The technical advantage of the innovation can only be realized if adequate marketing skills can support and complement the new products and technologies.

The innovation processes have been described by the first linear models that product ideas are born, based on these new product is planned, produced, and sold. However, it is more effective when the process starts out from the market needs, the new products are planned, manufactured based on these, and during the selling process the satisfaction of the needs is controlled. Nowadays it is essential that the marketing has to link all the processes, including the innovation, too.

The task of the innovation marketing is not just selling the novelty, but to acquaint the expectations of the relevant stakeholders and with this to help for the management to increase the support of the strategy by satisfying the market demands on a reasonable and legitimate way, and on the other hand, to promote the acceptance (diffusion) of planned and implemented results of the innovations as well.

Strategy in the competitive market is such a guideline of corporate function that defines the long-term goals and the system of means and methods that are necessary to reach them. Strategic planning plays an important role at all types of companies especially in the case of the innovative ones as it is they who dare to enter an uncertain area in its technical and economic sense due to their special activities (Edquist, 1997). A thoroughly planned conscious strategy is the basis for creating innovations and operating an innovative organisation. Innovation strategy has to derive from and serve corporate strategy. The main point of innovation strategy is how the company can reach the market starting from research and development via product/service/technology production in the easiest way (Husti, 1999). An effective innovation strategy is implemented in a simple, concentrated way to a small

extent so at the beginning scarce resources (funds, labour) are used and simultaneously, the way out is also considered.

Our research objectives are summarised in the points below:

1. Preparing and improving a questionnaire and a method of examination that can be used to collect primary data on the innovation activities of agricultural machinery manufacturers.
2. Preparing a thorough picture of the present situation and performance of agricultural machinery innovations as well as the direction of developments on the basis of the empiric research and methodology.
3. What is the cooperation activity of enterprises like, what are the characteristics of their social network and how can they affect innovation activities?

2. Material and method

Basically our research is based on primary research within the framework of which a questionnaire was compiled. When drafting the questions the results of our secondary research data on this industry were considered and also the 2005 edition of 'Oslo Handbook' was consulted that formulates OECD guidelines for collecting and interpreting technological innovation data. According to the general methodological requirements some pilot interviews were made a first and afterwards the questionnaire was finalised on the basis of our experience.

In Hungary more than 150 enterprises deal with producing agricultural machinery and machine parts. Experts estimate that the number of companies engaged in agricultural machinery production as the main profile is approximately forty. The contact addresses of all the enterprises necessary for the questionnaire were gained through MEGOSZ (National Association of Agricultural Machinery Manufacturers). The multi-channel approach was used when recording the data of the research whose main points are the following:

- 15 machine manufacturers were interviewed personally;
- Questionnaires were sent to 25 organisations by post asking them to send it back after filling in the questionnaire.
- The electronic version of our questionnaire was sent to organisations that were incorporated in the MEGOSZ database. Altogether 18 questionnaires were returned.

The same questionnaire was used in all three approaches so figures can be compared. Fifty eight organisations supplied data in the examination. An approach based on proportion estimate was selected to ensure the reliability and accuracy of the research. The accuracy level of the entire sample is $\pm 7,7$ per cent points with fixed 95 per cent reliability on the basis of the statistical calculations that were carried out. However, a positive feature is that mainly the senior management (chief executive officer, production or technical manager) provided the data. As a result, hands-on information was gained about the general situation, current plans and strategic way of thinking of the organisations concerned.

3. Results – The innovation knowledge networks of agricultural machinery manufacturers

According to our survey almost 87 percent of the companies concerned in research-development cooperation have already taken part in a form, which can be regarded a fairly good proportion.

Results show that for those who have never taken part in cooperation (although their proportion is slight, 6,9 %) the number of successful innovations is low. In this aspect the most active ones are who have always incorporated a partner in their innovation processes. A decisive part of the sample, i.e. 79 percent occasionally participate in co-operations. In this

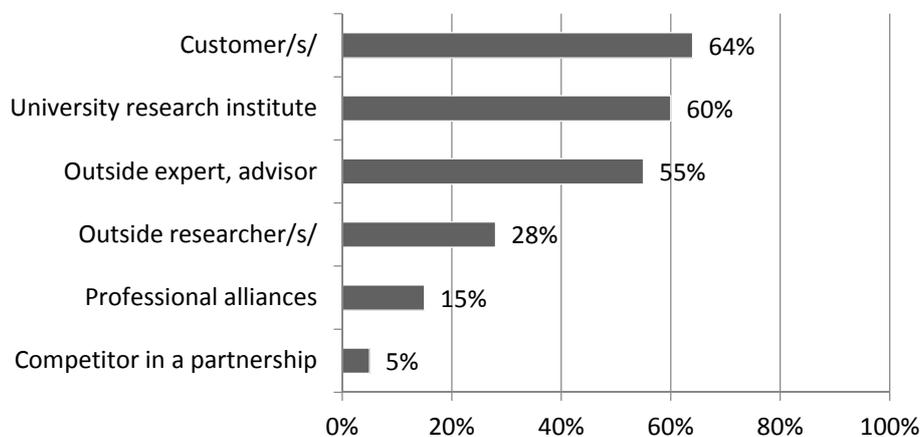
case a significant difference can also be noticed as the ratio of the active ones is approximately 70 percent. There is a significant correlation between product, process innovation and R&D cooperation and the strength is the correlation is close to satisfactory.

Table 1: Correlations between R&D co-operations and product- and process innovations

The proportion of R&D cooperation (%)	Product inn.(%)		Total %	Procedure inn. (%)		Total %
	No	Yes		No	Yes	
Never	75,0	25,0	13,8	100,0	0,0	13,8
Sometimes	34,8	65,2	79,3	30,4	69,6	79,3
Always	12,5	87,5	6,9	0,0	100,0	6,9
Total (%)	34,5	65,5	100,0	31,0	69,0	100,0
n (item)			58			58
Significance			0,016			0,008
Cramer V			0,377			0,406

The extent of R&D activity (Figure 1) reflects the most decisive directions of knowledge flow. These results illustrate the demand-driven nature of innovations in the agricultural machinery sector. Companies are trying to cooperate closely with their customers in order to know their needs. Sixty percent of the sample examined has already taken part in a common research-development project with a university research institute.

Figure 1: The proportion of R&D cooperation agreements of agricultural machinery manufacturing companies (Relative frequency, more than one answer could have been given)

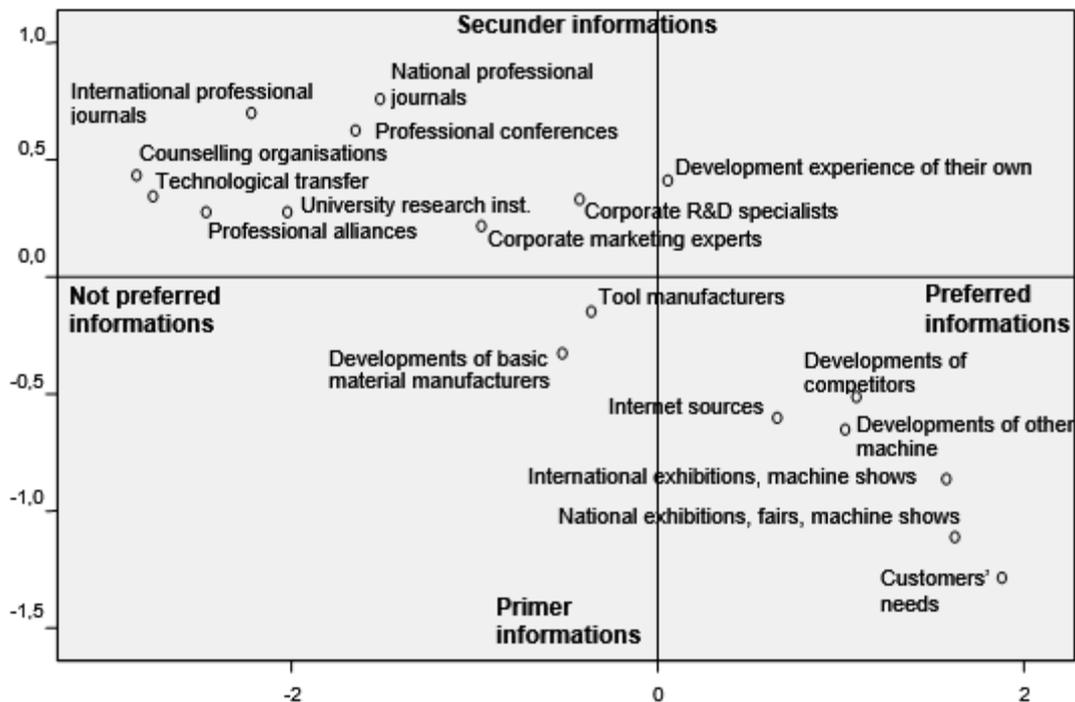


In order to get to know the typical groups and alliances the information managing habits of enterprises were also considered in the multidimensional scaling. The fitting of the model is good (RSQ = 0,95413) and the quality of solution can also be regarded good (Stress = 0,09959). When analysing the MDS map of information managing habits (Figure 2) we can find the typical groups that were described alongside two dimensions. The first dimension is the preferred-not preferred information on the horizontal axis while information (primary/secondary) is included on the vertical axis.

Typical groups:

- *Preferred primary information:* customers' needs, national and international machine exhibitions, and a further preferred source is the information of competitors and other machine manufacturers.
- *Slightly preferred information:* development experience of tool manufacturers, basic material manufacturers and of their own, information deriving from corporate R&D specialists and marketing experts.
- *Less preferred secondary information:* The use of national and international professional literature can be described as a less preferred secondary source. Another less preferred group is the one of counselling, technological transfer organisations and professional alliances.

Figure 2: MDS map showing the information managing habits of enterprises



On the basis of the cross table and Chi-square analyses a positive connection can be observed between the two variables, i.e. different co-operations promote the innovation activities of agricultural machinery manufacturers in Hungary. According to the examination on the use of information sources we can state that of the information for their innovation activities enterprises prefer market like information sources most such as their customers and different professional exhibitions.

4. Conclusions and suggestions

We stated that of the information used for innovation activity the national agricultural machinery manufacturers mostly prefer primary like sources. With the help of a multidimensional map information managing habits connected to innovation activities were divided into three groups along two dimensions: preferred primary like, slightly preferred and less preferred secondary information. We proved that for the Hungarian agricultural machinery manufacturers there is a positive significant correlation of medium strength between innovation activity and cooperation. Our further examinations explored that in

innovation cooperation it is typically the customers and university research institutes who are the preferred partners.

Manufacturers must show a greater interest in exploring and applying the new knowledge accumulated outside their organisational boundaries. In order to keep pace with market and technological changes as well as integrate new scientific results cooperation with professional alliances and specialist universities must be prioritised in their innovation processes. We would also highlight the role of strategic behaviour in the success of innovation processes. The management has to make decisions on investment and development on the basis of a strategic approach in line with systematic innovation objectives.

References

1. Bak Á. (2013): A magyar Mezőgazdasági gépgyártók innovációs aktivitása. Doktori (PhD) értekezés. Gödöllő, 145 p.
2. Edquist, Ch. (1997): Systems of Innovation. Technologies, Institutions and Organisations. Pinter, London & Washington.
3. Fenyvesi L. (2005): Gondolatok az agrárműszaki fejlesztésről, Mag, Kutatás, Fejlesztés és Környezet, 4 évf. 19 szám. 25 p.
4. Husti I. (1999): Technological development in Hungarian Agriculture. Hungarian Agricultural Research. Vol. 8. December, 1999. No. 4. 14-16. p.
5. KSH (2010): Kutatás fejlesztés 2009. Statisztikai tükör, 2010 IV. évfolyam 89. szám
6. Losoncz Miklós (2008): Az EU-csatlakozás és a magyar kutatás-fejlesztési és technológiai stratégia. Közgazdasági Szemle LV: évf, 2. pp. 169-182.
7. Magó L.: (2011) „Agricultural Machine Distribution in Hungary in Past Ten Years”, Agricultural Engineering Scientific Journal, Belgrade-Zemun, Serbia, December 2011. Vol. XXXVI. No 4., p. 77-82.

THE PRECISION FARMING TECHNOLOGY LIKE A MODERN TOOL OF AGRICULTURAL INNOVATION

Enikő LENCSE

*Szent István University, Faculty of Economics and Social Sciences, Gödöllő, Hungary
E-mail: lencses.eniko@gtk.szie.hu*

Summary: One frame of technological development is the precision farming technology in agriculture. The national and international researches handle a lot with the effects of precision farming technology like a possible method of innovation. At the same time the diffusion of this technology is very slow from the practical appear in 1990. The obstructive factor of adjudge the spread of precision farming technology is that the definition of the farm which apply this is hard. Because of the application of the different technology elements are dependent on plant, soil, weed-coverage and management. The adaptation of the site specific technology like a new innovation in the process demands an extra investment in one hand and in the other hand necessitates precise work from everybody which goes together with change of approach. The aims of this study to examine that in which condition will be viable the adaptation of the precision farming technology and what kind of factors make faster the spread of the technology. The other question is that which element of the technology called innovation and what are the effects of these on the profitability.

Keywords: innovation, site-specific treatment, profitability, cost-efficiency

1. Introduction

The meanings of innovations are different for the scientists, for the users, for the politics and for the usual people. Many times the innovation is only expounded like a novelty technology. In fact the innovation is more than a new technology or methods. The innovation should not be totally scientific newest things or an earlier does not know things. The widest used definition of innovation is the following: “implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations.” (Oslo Manual, 2006)

The task of technical development is to pass the rewarding results of the R+D activities. In the area of agricultural innovation is very high-pressure problems are the technical or process developments. (Husti, 2008) The agricultural-technical developments never are self-interest. These developments should always be lead with production aims. The prime aim for agricultural-technical development is to the results of research put into practice. The agricultural innovations eventuate the higher profitability and economic growth. (Kapronczai, 2011) In the practice the research of agricultural technical development materialize in the production technology. One of the well examined parts of the agricultural technical development is the precision farming technology.

The aim of this paper to show the precision farming technology in the different aspects of innovation, like process-, organizational-, environmental-, product- and marketing-innovations.

2. Precision farming technology as realization of agricultural innovation

Beyond the traditional technology innovation a new business-model, a new organizational form, a new design or marketing-strategy are also mean innovation for companies. The most wide spread innovation type are the product and technical innovation. The practice can also speak about environmental innovation, marketing innovation, organizational innovation. (Schumpeter, 1939; Magyar Innovációs Szövetség, 2010).

Under innovation the inputs and the yield of the agricultural enterprises are change. The precision farming technology is a kind of production and management methods which able to handle the homogeneity of production condition and thanks to this it fit to the expectation of the agricultural innovation.

2.1. Technological innovation and precision farming technology

According to Oslo Manual (2006) a process/technology innovation is the implementation of a new or significantly improved production or delivery method. This includes significant changes in techniques, equipment and/or software. Process innovations can be intended to decrease unit costs of production or delivery, to increase quality, or to produce or deliver new or significantly improved products.

The agricultural technology innovation based on four pillars. These pillars are the biological, chemical, technical and human factors. (Dimény, 1975) The agro-technical development can not be self-interest, it should be fit with economical and ecological criteria. (Dimény, 1992) In this aspect the precision farming technology is the base of the sustainable agriculture. There are numerous researchers examined the correlation between the sustainability and precision farming technology. The latitude of this paper not allows to spread about in detail. [Weiss, 1996; Lambert – Lowenberg-DeBoer, 2002; Székely et al., 2000, Lencsés, 2008; Takács-György, 2008; Takács, 2008; Schmuk et al., 2009]

The appearance of global positioning system in the agricultural make possibilities for taking out the field-average treatment and handle the heterogeneity of the production factors (field, nutrients, etc.). In precision farming technology the treatments are based on maps or on-line sensors. The treatment unit called management-zone and usually not bigger than 3 hectares. The two technical methods of precision farming technology are the on-line and the off-line way. In on-line way the inputs optimized according the sensors (for example N-sensor or infra-red camera) information in real-time. In the off-line way first the treating maps should be generated before the treating. The advantages of both methods to optimized inputs according to field-heterogeneity, and thanks to this increase the profitability of the process with decrease the environmental harm of the agriculture.

In summary the precision farming technology squarely fit the meaning of technological innovation because it is a new way of plant production. Change the field-average treatment for the management-zone based treatment (in the process of planning, treating and monitoring).

2.2. Organizational innovation and precision farming technology

According to Oslo Manual (2006) an organizational innovation is the implementation of a new organizational method in the firm's business practices, workplace organization or external relations. Organizational innovations can be intended to increase a firm's performance by reducing administrative costs or transaction costs, improving workplace satisfaction (and thus labor productivity), gaining access to non-tradable assets (such as non-codified external knowledge) or reducing costs of supplies.

The precision farming technology is not only a new plant production method. An aim of precision farming technology (beyond the variable rate treatment in zone-by-zone) is to simplify the decision process thanks to the precise information base and the higher reaction for heterogenic production factors. In short the precision farming technology is information and remote sensing based farm management system. This system able to identify, examine the varying field parameters and lead the treatment in field.

The precision farming technology is an electronically observer system which monitoring the site-specific treatment of inputs, the timing of treatment, the process and the staff. (Lowenberg-DeBoer – Boehlje, 1997)

The switch to precision farming technology demand changes of the conventional thinking about farming. Come to the front the intention of exactitude of treatment. There are not permissible the margin from the plan or the overlaps in the field-twist.

In the aspect of organizational innovation very important to speak about the knowledge and acceptance of the philosophy of precision farming technology both on the management-level and on the staff-level. The staff should be understand and use the new and mostly informatics based system. The information-based precision farming technology is decrease the time-input for example vocational training, teaching, monitoring.

In summary the precision farming technology is an organizational innovation because the adaptation of the technology is require the changes in the working process. The tasks and time-input change with making of maps, input registration, etc.

2.3. Environmental innovation and precision farming technology

The precision farming technology is an information-intensive technology which is a part of the agricultural technical development. The precision farming technology is a complex, contiguous process and purposeful innovation activities which gives rise to changes in quality and quantity of agricultural production. These changes define in resources, for example soil parameters, human resource, equipment, information-system, etc.). Finally the plant production is happen in the higher efficiency way.

The precision farming technology is a kind of environmental innovation because the prime aim of the technology is to reduce the environmental impacts of plant production. According to Wolf and Buttel (1996) precision farming technology is increase the efficiency of production, decrease the environmental pollution. The input (seeds, nutrition, herbicide, pesticides, etc.) optimization happened zone-by-zone. Thanks to this the redundant of inputs in the soil are reduce.

2.4. Marketing innovation and precision farming technology

According to Oslo Manual (2006) a marketing innovation is the implementation of a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing. Marketing innovations are aimed at better addressing customer needs, opening up new markets, or newly positioning a firm's product on the market, with the objective of increasing the firm's sales

In the marketing innovation the prime aim is the demand of consumer. Nowadays there are no differences between the consumer demand with the conventional and precision farming technology. The consumers do not knows which technology used for their product. The precision farming technology use the same quantify inputs like the conventional farming.

There are unproven the quality increase of yield with the precision farming technology. Otherwise in social-level the demand for the fork-to-fork monitoring of plant production is increasing. With precision farming technology it should be realize lot of information about the

production process. The society require the decreasing of environmental damage, ecological sustainability. Both demand make true with precision farming technology.

In summary the precision farming technology does not mean marketing innovation for producer or user because the preparation or use of equipments not goes to the changes in the market issue.

2.5. Product innovation of precision farming technology

According to Oslo Manual (2006) a product innovation is the introduction of a good or service that is new or significantly improved with respect to its characteristics or intended uses. This includes significant improvements in technical specifications, components and materials, incorporated software, user friendliness or other functional characteristics. Product innovations can utilize new knowledge or technologies, or can be based on new uses or combinations of existing knowledge or technologies.

The equipment for the site-specific production for the producer is a product innovation. Because the producers of equipment which able to implement the site-specific treatment in the practice. For this is necessary to make changes in the products, for example put GPS, board-computer on the tractor or put component which helps to variable rate treatment in for example the fertilizer.

3. Conclusions

The condition of the successful innovation is the efficient information systems which react fast for the changes of micro and macro environment with quantity in the middle. The precision farming technology fit to these requirements. Thanks to the big amount of qualified information the system able to monitoring the production zone-by-zone.

The precision farming technology improve the productivity of labor, productivity of inputs, quantity and quality of yield with attentive the aspects the sustainability. These parameters are the bone of agricultural innovation too so the precision farming technology is a tool of innovation.

Thanks to the precision farming technology increase the inputs (and costs) and decrease the yield (in quality and in quantity). The precision farming technology squarely fit the meaning of technological innovation because it is a new way of plant production. Change the field-average treatment for the management-zone based treatment (in the process of planning, treating and monitoring). The precision farming technology is an organizational innovation because the adaptation of the technology is require the changes in the working process. The tasks and time-input change with making of maps, input registration, etc. The precision farming technology does not mean marketing innovation for producer or user because the preparation or use of equipment not goes to the changes in the market issue. The switch to precision farming technology demand changes of the conventional thinking about farming. Come to the front the intention of exactitude of treatment. There are not permissible the margin from the plan or the overlaps in the field-twist. (Table 1.)

Table 1: Precision farming technology like agricultural innovation

Type of innovation	How precision farming technology measure up to expectation of innovation
Technology innovation	New way of plant production which optimize the inputs zone-by-zone take into consideration the micro-facility of field and site-specific monitoring the treatment too
Organization innovation	Changes in the planning, working process. Need training for staff to understand the philosophy of precision farming technology.
Environmental innovation	Increase the environmental damage of precision farming technology.
Marketing innovation	No changes in the marketing strategy with precision farming technology
Product innovation	New product for the producers.

Source: own construction

Thanks to the precision farming technology the enterprises able to make products with less inputs or reach the higher yield with the same amount of inputs. The agricultural enterprises would be cost-efficiency and environmental friendly thanks to the site-specific treatment. In the agricultural practice the precision farming technology is require the new way of thinking about plant production.

References

1. Dimény I. (1975): A gépesítésfejlesztés ökonómiája a mezőgazdaságban. Budapest. Akadémiai Kiadó. 508 p.
2. Dimény I. (1992): A műszaki-fejlesztés ökonómiai összefüggései a mezőgazdaságban. Budapest. Akadémiai Kiadó. 30 p.
3. Husti, I. (2008): Az innováció és a műszaki fejlesztés kapcsolatrendszere a mezőgazdaságban. In: Takács I. (szerk.): A műszaki-fejlesztési támogatások közgazdasági hatékonyságának mérése. Gödöllő: Szent István Egyetemi Kiadó, pp.51-64.
4. Kapronczai, I. (2011): A magyar agrárgazdaság az EU-csatlakozástól napjainkig. Budapest: Szaktudás Kiadó Ház. pp.1-190.
5. Lambert, D. – Lowenberg-DeBoer, J. (2002): Precision Agriculture Profitability Review. Executive summary. Online: <http://www.agriculture.purdue.edu/ssmc/Frames/newsoilsX.pdf> Letöltve: 2008. október 31. 154 p.
6. Lowenberg-DeBoer J. Boehlje M. (1997): „Revolution, Evaluation, or Deadend: Economic perspectives on precision agriculture.” In: Robert P.C., Rust R.H., Larson W.E. (eds): Precision Agriculture, Proceedings of the 3rd International Conference on Precision Agriculture, Madison, Wisconsin
7. Magyar Innovációs Szövetség (2010): Innováció értelmezése. http://innovacio.hu/1g_hu.php (letöltési idő: 2010-10-29 10:59)
8. Oslo Manual (2006): Guidelines for collecting and interpreting innovation data: The measurement of scientific and technological activities; European Communities Statistical Office, Organisation for Economic Co-operation and Development. 192. p.
9. Smuk N. – Milics G. – Salamon L. – Neményi M. (2009): A precíziós gazdálkodás beruházásainak megtérülése. Gazdálkodás. 53- (3.) 246-253 pp.

10. Schumpeter, J.A.: Business Cycles, New York, 1939
http://classiques.uqac.ca/classiques/Schumpeter_joseph/business_cycles/schumpeter_business_cycles.pdf
11. Székely Cs. – Kovács A. – Györök B. (2000): The practice of precision farming from an economic point of view. *Gazdálkodás. English Special Edition*. 1. 56-65 pp.
12. Takácsné György K. Precíziós növényvédelem, mint alternatív gazdálkodási stratégia. *Gazdálkodás*. 2003. XLVII. évf. 3. sz. 18-24 pp.
13. Takács-György K. (2008): Economic aspects of chemical reduction on farming: role of precision farming – will the production structure change? *Cereals Res. Commun.* 36, Suppl. 2008. 19-22 pp.
14. Takácsné György K. (2010): Precíziós növénytermelés növényvédőszer használatának gazdasági hatásai. *Gazdálkodás*. 54. évf. 4. 368-376 pp.
15. Takács I. (2008): Szempontok a műszaki-fejlesztési támogatások közgazdasági hatékonyságának méréséhez. In Takács I. (szerk.): *Műszaki fejlesztési támogatások közgazdasági hatékonyságának mérése*. Szent István Egyetemi Kiadó. Gödöllő. 9-48. pp.
16. Weiss, M. D. (1996): Precision farming and spatial economic analysis: Research challenges and opportunities. *American Journal of Agricultural Economics*. 78. (5) 1275-1280 pp.
17. Wolf, S. A. – Buttel, F. H. (1996): The political economy of precision farming. *American Journal of Agricultural Economics*. 78. (5) 1269-1274 pp.

INSIGHTS ON DIVERSIFYING AGRICULTURE SYSTEMIC RISK ACROSS REGIONS – APPROACHING THE ROMANIAN CASE

Laura-Gabriela CONSTANTIN

The Bucharest University of Economic Studies, Bucharest, Romania

E-mail: constantinlauragabriela@gmail.com

Summary: The scope of the research is to reveal several insights on diversifying systemic risk across the eight Romanian development regions for the wheat culture. In order to pursue the scope of paper, the research is threefold and encompasses a series of results as follows: (1) tracking the specialized literature and based on crop yield data, there is developed an area yield index that resembles the payoff of a derivative contract; (2) further, by employing parametric and nonparametric measures, there is quantified the dependence of the payoffs across the eight development regions and (3) the investigation is complemented with cluster analysis for determining natural and statistically significant grouping of the Romanian development regions considering the values of the index. The main findings reflect mostly a low potential of diversifying risk at regional level.

Keywords: agriculture systemic/catastrophe risk, risk management, area yield index

1. Selective research grounds – short insights

There is generally acknowledged that, besides asymmetrical information (Skees and Reed, 1986), systemic risk is one of the most important impediments when establishing a market for private crop insurance (Miranda and Glauber, 1997; Duncan and Myers, 2000; Shen and Odening, 2013). Following these arguments, the specialized literature focused on investigating whether systemic risk stands as an obstacle for crop insurance for specific markets and on developing methods and tools for mitigating this particular risk (Wang and Zhang, 2003; Xu et al., 2010; Okhrin et al., 2013; Shen and Odening, 2013).

Considering the importance of the agriculture sector in Romania, developing risk management tools for this sector could enhance capital allocation, at macro level, and even out the revenues of the SME and big companies, at micro level, while standing as a key component for pursuing corporate competitive advantages at EU level. Therefore, the present paper revolves around investigating the potential of diversifying systemic risk across the eight Romanian development regions for the wheat culture by employing an area yield index.

2. Data and methodology

The base sample considered within this research consists in wheat crop yield data collected from 1990 until 2013 for the eight Romanian Development Regions (North-West – VI, Centre – VII, North-East – I, South-East – II, South-Muntenia – III, Bucharest – Ilfov – VIII, South-West Oltenia – IV, and West – V). Following the specialized literature (Shen and Odening, 2013, 6), for each of these regions, there were determined area yield indices as a deviation of realized area yield from a strike level considered as the wheat long-term average of the area yield. The index resembles the payoff structure of a derivative contract (put option), being computed as a product between: (1) the maximum value between zero and the difference between the strike level actual area yield and (2) the tick value (the average of the annual minimum prices on the Romanian representative markets). In order to account for various

diversification potentials, the strike level was considered as follows: (1) at regional level (for each of the eight regions), at macro-regional level (for each of the four Romanian macro-regions) and at country level (national coverage).

Further, in order to check for the risk diversification potential, the analysis consisted in using dependence measures both through a parametric (Pearson Correlation) and a nonparametric approach (Kendall's tau_b and Spearman Rho) to account for the association of the payoffs across the eight development regions. The examination was consolidated by employing cluster analysis considering the long-term values of the mean and the standard deviation of the index as a proof of the diversification pattern. In order to attain the natural and statistically significant grouping of the Romanian development regions, the hierarchical cluster analysis was applied, considering the Squared Euclidian for distance measure and the Ward's method.

3. Main findings and results

In Table 1, Table 2, and Table 3 there are displayed the results of the association analysis (for space reasons, there are presented the Pearson Correlation and Kendall's tau_b values, while the Spearman Rho values, similar to the former ones, are available at the author, on demand).

Table 1: Dependence analysis – regional approach

Correlation Coefficients	Region	VI	VII	I	II	III	VIII	IV	V
Pearson Correlation	VI	1	,762 **	,421 *	,151	,146	,192	,256	,879 **
Kendall's tau_b		1	,633 **	,348 *	,295	,248	,325	,309	,826 **
Pearson Correlation	VII	,762 **	1	,690 **	,258	,270	,386	,354	,754 **
Kendall's tau_b		,633 **	1	,558 **	,295	,324	,391 *	,507 **	,649 **
Pearson Correlation	I	,421 *	,690 **	1	,688 **	,725 **	,776 **	,626 **	,439 *
Kendall's tau_b		,348 *	,558 **	1	,436 *	,370 *	,447 *	,524 **	,332
Pearson Correlation	II	,151	,258	,688 **	1	,908 **	,844 **	,648 **	,136
Kendall's tau_b		,295	,295	,436 *	1	,700 **	,690 **	,558 **	,281
Pearson Correlation	III	,146	,270	,725 **	,908 **	1	,957 **	,847 **	,094
Kendall's tau_b		,248	,324	,370 *	,700 **	1	,837 **	,538 **	,322 *
Pearson Correlation	VIII	,192	,386	,776 **	,844 **	,957 **	1	,836 **	,147
Kendall's tau_b		,325	,391*	,447 *	,690 **	,837 **	1	,459 **	,368 *
Pearson Correlation	IV	,256	,354	,626 **	,648 **	,847 **	,836 **	1	,284
Kendall's tau_b		,309	,507 **	,524 **	,558 **	,538 **	,459 **	1	,426 *
Pearson Correlation	V	,879 **	,754 **	,439 *	,136	,094	,147	,284	1
Kendall's tau_b		,826 **	,649 **	,332	,281	,322 *	,368 *	,426 *	1

Correlation is significant at the: ** - 0.01 level (2-tailed); * - 0.05 level (2-tailed).

Source: Authors' contribution (developed in SPSS-IBM)

The results for the analysis developed at regional level (see Table 1) reflect that all the dependence measures are positive.

While, as expected, the highest dependence is between the indices for the Bucharest - Ilfov and South Muntenia Regions, the lowest one is between South Muntenia and West Regions. Lower association values (below 0.2) are registered between the following regions: South-Muntenia and North-West, South-East and North-West, South-East and West, Bucharest - Ilfov and North-West, and Bucharest - Ilfov and West.

The results for the research developed at macro-regional level (see Table 2) highlight, however, a different state of facts as there are identified two negative correlation coefficients (through the parametric approach): for the South Muntenia and West Regions and for the Bucharest - Ilfov and West Regions. Though positive, lower association values (below 0.2) are recorded between the following regions: South-East and North-West, South-Muntenia and North-West, South-East and West, and South-West Oltenia and West. The nonparametric measures generally support the Pearson correlation results.

Table 2: Dependence analysis –macro regional approach

Correlation Coefficients	Region	VI	VII	I	II	III	VIII	IV	V
Pearson Correlation	VI	1	,762 **	,420 *	,149	,144	,209	,313	,630 **
Kendall's tau_b		1	,668 **	,348 *	,295	,248	,325	,432 **	,712 **
Pearson Correlation	VII	,762 **	1	,690 **	,258	,270	,396	,413 *	,585 **
Kendall's tau_b		,668 **	1	,539 **	,320	,348 *	,415 *	,575 **	,671 **
Pearson Correlation	I	,420 *	,690 **	1	,687 **	,724 **	,770 **	,635 **	,367
Kendall's tau_b		,348 *	,539 **	1	,436 *	,370 *	,447 *	,447 **	,467 *
Pearson Correlation	II	,149	,258	,687 **	1	,909 **	,843 **	,642 **	,106
Kendall's tau_b		,295	,320	,436 *	1	,700 **	,690 **	,580 **	,239
Pearson Correlation	III	,144	,270	,724 **	,909 **	1	,955 **	,830 **	-,031
Kendall's tau_b		,248	,348 *	,370 *	,700 **		,837 **	,571 **	,181
Pearson Correlation	VIII	,209	,396	,770 **	,843 **	,955 **	1	,809 **	-,022
Kendall's tau_b		,325	,415 *	,447 *	,690 **	,837 **	1	,485 **	,267
Pearson Correlation	IV	,313	,413 *	,635 **	,642 **	,830 **	,809 **	1	,181
Kendall's tau_b		,432 **	,575 **	,447 **	,580 **	,571 **	,485 **	1	,398 *
Pearson Correlation	V	,630 **	,585 **	,367	,106	-,031	-,022	,181	1
Kendall's tau_b		,712 **	,671 **	,467 *	,239	,181	,267	,398 *	1
Correlation is significant at the: ** - 0.01 level (2-tailed); * - 0.05 level (2-tailed).									

Source: Authors' contribution (developed in SPSS-IBM)

The country level analysis (see Table 3) stresses a similar situation to the macro-regional one from two perspectives: (1) there are also insulated two negative correlation coefficients for the same pairs of development regions and (2) positive and low association values (below 0.2) are recorded between the same pairs of regions (however, there is also recorded such a value for an additional pair: Bucharest - Ilfov and North-West.

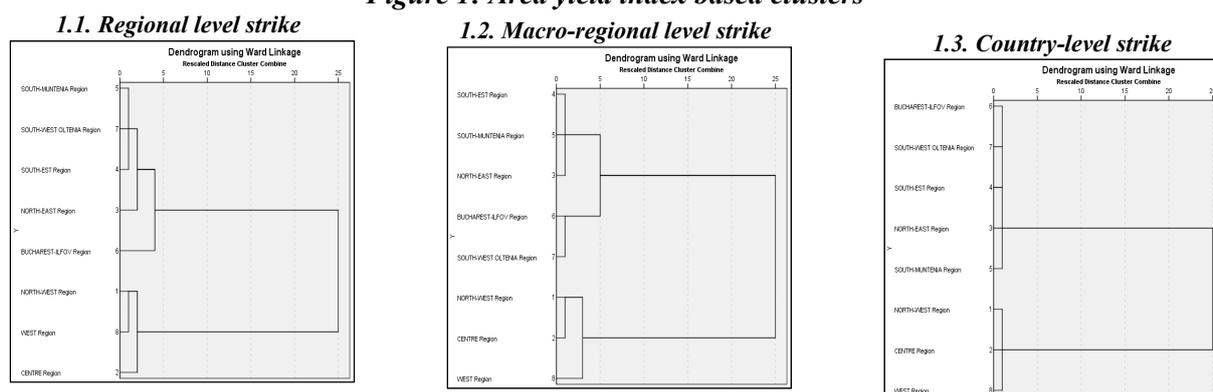
Table 3: Dependence analysis – country approach

Correlation Coefficients	Region	VI	VII	I	II	III	VIII	IV	V
Pearson Correlation	VI	1	,731 **	,391	,162	,059	,117	,251	,616 **
Kendall's tau_b		1	,621 **	,449 **	,324	,272	,345 *	,353 *	,598 **
Pearson Correlation	VII	,731 **	1	,718 **	,273	,243	,387	,360	,564 **
Kendall's tau_b		,621 **	1	,540 **	,324	,235	,418 *	,486 **	,567 **
Pearson Correlation	I	,391	,718 **	1	,684 **	,704 **	,763 **	,612 **	,345
Kendall's tau_b		,449 **	,540 **	1	,450 **	,326	,475 **	,343 *	,290
Pearson Correlation	II	,162	,273	,684 **	1	,895 **	,832 **	,669 **	,152
Kendall's tau_b		,324	,324	,450 **	1	,710 **	,690 **	,605 **	,327
Pearson Correlation	III	,059	,243	,704 **	,895 **	1	,956 **	,833 **	-,046
Kendall's tau_b		,272	,235	,326	,710 **	1	,832 **	,599 **	,198
Pearson Correlation	VIII	,117	,387	,763 **	,832 **	,956 **	1	,819 **	-,045
Kendall's tau_b		,345 *	,418 *	,475 **	,690 **	,832 **	1	,507 **	,182
Pearson Correlation	IV	,251	,360	,612 **	,669 **	,833 **	,819 **	1	,128
Kendall's tau_b		,353 *	,486 **	,343 *	,605 **	,599 **	,507 **	1	,432 *
Pearson Correlation	V	,616 **	,564 **	,345	,152	-,046	-,045	,128	1
Kendall's tau_b		,598 **	,567 **	,290	,327	,198	,182	,432 *	1
Correlation is significant at the: ** - 0.01 level (2-tailed); * - 0.05 level (2-tailed).									

Source: Authors' contribution (developed in SPSS-IBM)

The main findings of the cluster analysis are presented in Figure 1. As displayed in figures 1.1 (regional approach), 1.2 (macro-regional approach), and 1.3 (country approach), according to the average values (mean) and volatility (standard deviation) of the wheat area yield indices, the eight development regions group in two main groups irrespective of the analysis level (a first cluster comprises the following regions: South-East, South-Muntenia, Bucharest – Ilfov, South-West Oltenia, while a second one encompasses: the North-West, Centre, North-East, and, West regions). This clustering pattern supplements the dependence analysis reflecting that systemic risk could be diversified between the western and centre regions, on one side, and the southern and eastern regions on the other.

Figure 1: Area yield index based clusters



Source: Authors' contribution (developed in SPSS-IBM)

4. Concluding remarks

The association analysis reflects a rather low potential of diversifying risk across the regions for the wheat culture, the correlations being mostly positive. However, when varying the reference strike at macro-regional and country level, there is envisaged a weak diversification opportunity which is enforced by the negative correlations between three regions (two from the southern part of the country, and one from the western one). In addition, the cluster analysis enforces the results of the dependence research as, on the long term, the regions are clustered in two groups reflecting a diversification prospective between the southern and eastern regions, on one side, and the western and centre regions, on the other. As further research, there could be considered other cultures as well as other dependence measures.

5. Acknowledgement

This work was cofinanced from the European Social Fund through Sectoral Operational Programme Human Resources Development 2007-2013, project number POSDRU/159/1.5/S/142115 „Performance and excellence in doctoral and postdoctoral research in Romanian economics science domain”

References

1. Duncan, J. and Myers, R.J. (2000): Crop insurance under catastrophic risk, „*American Journal of Agricultural Economics*”, 82(4), p. 842-855.
2. Miranda, M.J., Glauber, J.W., 1997: Systemic risk, reinsurance, and the failure of crop insurance markets. „*American Journal of Agricultural Economics*”, 79(1), p. 206-215.
3. Okhrin, O., Odening, M. & Xu, W. (2013): Systemic Weather Risk and Crop Insurance: The Case of China, „*Journal of Risk and Insurance*”, 80(2), p. 351-372
4. Skees, J.R., Reed, M.R., 1986: Rate making for farm-level crop insurance: Implications for adverse selection., „*American Journal of Agricultural Economics*”, 68(3), p. 653-659.
5. Shen, Z. and Odening, M. (2013): Coping with systemic risk in index-based crop insurance, „*Agricultural Economics*”, 44(1), p. 1-13.
6. Wang, H. and Zhang, H. (2003): On the Possibility of a Private Crop Insurance Market: a Spatial Statistics Approach, „*Journal of Risk and Insurance*”, 70, p. 111-124.
7. Xu, W., Fuller, G., Odening M. and Okhrin, O. (2010): On the systemic nature of weather risk, „*Agricultural Finance Review*”, 70(2), p. 267-284.

ORGANIC PRODUCTION AS A TREND IN WINE INDUSTRY? – THE CASE OF CZECH REPUBLIC AND NEW ZEALAND

Sylvie FORMÁNKOVÁ, Helena CHLÁDKOVÁ, Nad'a HANUSOVÁ

Mendel University in Brno, Brno, Czech Republic

E-mail: sylvie.formankova@mendelu.cz

Summary: The paper compares the current situation in organic wine production in the Czech Republic and New Zealand. Organic viticulture passes a major change in the European Union legislation. The Standing Committee on Organic farming has agreed on new rules for labelling bottles containing wine from organically grown grapes. Since the year 2012, the winegrowers are able to mark a bottle as 'organic wine'. The European Commission also approved 30 certification agencies worldwide to work under this equivalence with the EU regulation. Among these 30 agencies included the BioGro, which is New Zealand's leading organic certifier. Organically farmed vineyards formed 4.9% share of the total area of vineyards in the Czech Republic in the 2011, New Zealand proportion is 1% higher. The essential difference between New Zealand and the Czech Republic is in the question of satisfying domestic consumption by wine production. New Zealand export of wine grows rapidly and increased from 15.2 million litters in 1998 to 154 million litters in 2011, which is ten times more. Czech organic wines have much to offer to consumers. They have received many prestigious awards at international competitions but the foreknowledge of customers is very low and organic wine is drunk mostly by regular consumers. That is why this is necessary to be changed. The popularity of organic wine is expected to grow mainly on foreign markets. New Zealand organic wines are extremely popular and it is about to attain the Asian market.

Keywords: organic, wine, viticulture, industry analysis

1. Introduction

Viticulture is a field that has experienced a big boom in the last few years. The popularity of wine is increasing worldwide, therefore it is not surprising that also in the Czech Republic the number of consumers mount from year to year. Growing consumption especially of good wines goes hand in hand with it the increasing interest in grapes growing and wine making. On the European continent the cult of wine has begun to spread 3 thousand years ago. The history of wine growing in New Zealand is much younger. Its origins can be found in the early 19th century during the colonization period.

Organic farming is based on perfect knowledge of the needs of plants, animals and landscapes. The aim of organic farmer's effort is to produce, but in a sustainable way, which promotes diversity and sustainability of the cultural landscape. Organic viticulture as the branch has its origins in the fifties of last century in Switzerland and Germany however some argues that it originates in thousands years ago history when farmers did not use synthetic chemicals. Organic farming is developing in the CR since 1990, when according to the principles of organic agriculture farmed only three farms. Modern viticulture represents the mutual coexistence of winegrower with nature. Only by respecting natural laws that affect the vines can be achieved the primarily goals - the production of quality grapes. (The World of Organic Agriculture: *Statistics and emerging trends*, 2006.; Teara Story: *Organic farming*, 2009)

The aim of this paper is to chart the environment sector of organic winery in the Czech Republic and New Zealand and to identify the main differences which might be inspiring for Czech wine-growers and wine-makers to make progress in their organic wine production development.

2. Methods and methodology

Results of this paper are the outcomes of a deeper and broader research. To get an overview of the situation in this industry Grove model, which is an extended version of well-known Porter's model of competitive forces, was applied. This selected part of the research is also presented in this paper. To get deeper knowledge about the current situation it is necessary to do the macro environmental analysis – PESTEL and observe all the factors existing in the branch. The outcomes and conclusions formulated in the Grove's model result from the experience and knowledge gained from these all analyses. To the extent of this paper only the main results in the area of competitors, buyers, suppliers, possibility of fundamental change in the way of business and strength of general partners were elaborated. As a primary source of the data statistics, annual reports and scientific researches and papers were used.

3. Results

3.1. Grove's model of branch environment

1. Strength of existing competitors

The strength of existing competitors in the Czech Republic and New Zealand is very different. While the concentrations of competitors in the Czech Republic in the field of organic viticulture relatively small because there are only 80 entities registered as organic wine growers in 2010, New Zealand has already experienced a boom in the production of organic wine. There are more than 115 entities that are involved in organic wine growing. The competition is much stronger, but the sales area is much broader than in the Czech Republic. After New Zealand's organic wine is a great demand especially in Commonwealth countries. This is a great advantage. Czech Republic must find a sales area outside of the Czech Republic in countries where demand on organic wine exceeds supply.

The main competitors in the Czech Republic are especially small and medium-sized enterprises that are engaged in production of organic wines only marginally. The problem with entering the market can also be complicated and time-consuming administration.

Among the most powerful organic wine growing entities belong Ing. Petr Marcinčák winery, that farms on 104 hectares of vineyards and Miloš Michlovský who conquers the large market chains in last months. Most export oriented company is Wine cellars Čejkovice – Templars, which export its wine also to foreign countries such as USA. Wine cellars Čejkovice have very strong position among existing competitors especially because they are very accessible to consumers. Their organic wine can be found in the large supermarkets and store chains. It is clearly visible and attract by big bio label. As results from Marketing & Social Research made from Winery fund in 2008 people usually purchase wine in large store chains. Compared to smaller organic wine producer whose products are very difficult to buy, they can be found only in selected wineries or are accessible through online shops. Very good solution is applied by Josef Abrle who supply organic wine to selected shops with organic food in shopping galleries so it is also very accessible to public. And already mentioned Miloš Michlovský, who has started to supply to large store chains such as Lidl. But he does not mark his wines as organic yet.

In New Zealand is the competition more compact and more companies compete on similar levels. There are much more large companies that supply to supermarkets and store chains. Some of these wineries even form the competition in the field of organic wine for Czech wine growers such as Millton vineyards or Richmond plains that are accessible in stores with healthy food such as Marks and Spencer. (Pro-Bio, 2012; Vína z Moravy vína z Čech: Aktuality, 2012)

2. Strength of potential competitors

By potential competitors are primarily meant winemakers who produce in an integrated system that provides a way of farming, whose main aim is to ensure sustainable development, which allows preserving the natural functions of agro ecosystem and other ecosystems. There is only a short step to growing wines in organic way, yet the transition to growing organic wine takes at least three years. Due to the large number of growers producing the integrated production, quantity of potential competitors is relatively high.

On the other side there are many barriers for potential competitors to enter the market with organic wines. For the greatest barrier to entry into production of organic food is considered increased administration (certification, registration, etc.) decreasing demand for organic foods in the overall economic situation and financial crisis. Administration demanding costs companies money and time. It is necessary to mention the higher need of employees when comparing to conventional system of farming. Most of the work is done by hands so temporary workers and seasonal help are being used very often. Even if many small wineries try to employ family members and thus decrease costs, sometimes it is necessary.

Among other barriers when entering into the organic wine market is three to five-year transition after registration. Although the winemaker has used all the principles of growing in organic way he can grant certification after a long time. (CSO)

3. Strength of buyers

The production of organic wine growers can be often obtained in selected specialized shops (taverns, wine shops), both in stone, and the Internet, as well as in specialized organic food stores, or in private wine cellars. Offer organic wine, however, significantly expanded into restaurants where are being more often put on its wine list.

As a result of emerging technology is more often used an option to purchase not only Czech but also foreign organic wines via e-shops. In supermarkets and large retail chains can be also met Czech organic wine mainly produced by large growers such as Wine Cellars Čejkovice - Templars. Smaller winemakers often do not have the capacity to supply to supermarkets who are trying to buy at the lowest possible price. Winemakers themselves also believe that their brand and reputation would fall when supplying to the supermarkets. On the one hand this is understandable, but in this way could be organic wine brought closer to customers.

As for the specialized shops, each chooses a different strategy to attract customer to buy organic wine there. Usually it is unfortunately the price what will appeal to customers, and for that reason, shops are trying to negotiate the lowest possible purchase prices from suppliers. The organic wines form a little different situation. As the customer prefers rather the price than quality of the wine he goes for table wines packed in boxes. These consumers prefer more commercial chain store than specialized winery. On the other hand, consumers who buy wine for its taste and quality would turn more to specialized shops. There is also the option to purchase twisted wines at affordable prices. However, twisted organic wine one encounters rarely.

According to market research dealing with organic food, which was carried out by Food Chamber of the Czech Republic in 2010 was shown that quite a big problem is a very strong bargaining position of retail chains. Several manufacturers in the survey complained about the fees of chains that are charged, their unwillingness to listen and the fact that retailers have

high margins and bad product placement. (Pro-Bio, 2012; Plocha ekologicky obhospodářované půdy, 2011; Focus, marketing & social research. *Výzkum: Trh s vínem v ČR 2008*, 2009)

4. Strength of suppliers

The suppliers could be divided into two main groups. First those suppliers who supply to the branch of viticulture and second group is formed by suppliers to the branch of winery.

Among the supplier in the field of viticulture fall companies, which offers products necessary for working and farming in the vineyard or for achieving quality wine. These include mechanical equipment, supporting structures, vine seedlings. These products are essential for working in viticulture and their position is strengthened by the fact that they can not be replaced by any substitutes. Suppliers also work out the position by the fact that the wine branch is not their only customer.

The second group includes suppliers of products, which are a direct input into the production process as preparations to wine, wine barrels, pumps, containers, labels, closures, etc. Bargaining power of suppliers is generally higher, but you can find the differences between small suppliers, products for wine and small material suppliers, who have very little bargaining power. By contrast, packaging and labelling achieved through concentration and importance to the industry higher influence. Suppliers of organic wine grapes also exist, although most of winegrowers are individuals who produce only from their own grown grapes. (Sharon, Forbesa, 2009; *On the up: The remarkable rise of the organic wine industry*, 2011)

5. Possibility of fundamental change in the way of business

In the process and production of organic wine is very little possibility of change. Procedures are always the same. They may differ in the environmental input and the use of other methods of cultivation. The change in business practices and in terms of sales is perhaps possible especially in the field of marketing. There are greater opportunities for promotion of organic wine delivery to specialized shops and proactive approach to customers.

6. Strength of general partner

General partner is explained as company that we depend on or vice versa. In case of wine industry, there is no company dependent on any particular company, which would have to sell some integral part of impact. As already mentioned, the company that produces organic wine is most dependent on the companies that supply integral components necessary for production, the associated integral part of production, but none of these companies constitute a monopoly.

4. Discussion and conclusion

Organic viticulture passes in the field of legislation in the European Union an important change. After many years the Standing Committee on Organic farming has agreed on new rules for labelling bottles containing wine from organically grown grapes. From the harvest in 2012, growers will be able to mark a bottle as 'organic wine' after meeting all the conditions in the organic cultivation system. The bottle will also have to show the EU organic label and code number of certificate. Further, the European Commission approved 30 certification agencies worldwide that import wines into the territory of the European Union to work under this equivalence with the EU regulation. Among these 30 agencies included the BioGro, which is New Zealand's leading organic certifier. (BioGro: *Think organics, think BioGro: In the news*, 2011; *Organic farming: EU policy, Legislation*, 2012)

Although neither Czech Republic nor New Zealand is one of the largest organic wine producing countries, both are above the world average. Organically farmed vineyards formed 4.9% share of the total area of vineyards in the Czech Republic in the 2011. In the case of New Zealand, the proportion is about 1% higher. At the present time there are no statistics on the consumption of organic wine per person, because as already mentioned, till harvest 2012 organic wine does not exist according to the EU legislation. Therefore, the total consumption indicates both conventionally grown and organically grown wines. But common consumption increases each year in the Czech Republic. In 2011, the value has not been published yet, but it is estimated that it will be around 20 liters per person, which is about 1.3 liters less than the average per capita consumption in New Zealand. (Hrabalová, 2011; Willer, Sorensen, 2008; Teara Story: *Organic farming*, 2009)

The essential difference between New Zealand and the Czech Republic is in the question of satisfying the domestic consumption by wine production. In 2011, based on the Fund of wine-makers estimation, the wine consumption exceeded production 5.5 times, so the Czech Republic is unable to satisfy domestic demand and this is also reflected in the large volume of imported wines. Imported wines account for more than 60% of the total supply of wine in the Czech Republic. Conversely, New Zealand production is 2.5 times higher than the consumption of wine and this records an option to export to other markets.

Although traditional viticulture in the Czech Republic has a long history in comparison with New Zealand, where the first vineyard was planted in 1851, New Zealand wines have earned an excellent position in the global wine market. The organic wines are available worldwide and there is still increasing interest especially in the U.S., Canada, Great Britain, but also Japan. Their approach to a healthy lifestyle and increasing interest in organic products exceeds the interest in the Czech Republic. According to a survey conducted by Lincoln University in New Zealand, 75% of respondents indicated that they would prefer wine made in environmentally sustainable way.

Competition within the industry is much tougher in New Zealand. Not only that there are more growers in organic growing mode - 115 compared to 80 organic wine growers in the Czech Republic in 2010, but there are mainly large companies that supply wine to the supermarket, which are experiencing high competition fight. In the Czech Republic, the market is dominated by small to medium sized enterprises engaged in production of organic wines. Many growers grow on the total area of up to 5 hectares and wines are sold at a location of its production and selected wine shops. In supermarkets, where the bargaining power of subscribers is large, Czech organic wine is met rarely. In New Zealand are many organic winegrowers who produce wines intended for export only.

In the Czech Republic there are also much greater obstacles when transferring to organic farming from conventional one. According to the Statistical Report ÚZEI from 2009, the biggest barriers are seen in administration and higher operation costs compared with conventional farming. (Institute of Agricultural Economics and Information)

At present, the organic viticulture industry is worldwide in the development stage and it can be expected a positive development in the future. Although the Czech Republic demand for organic wine in the past year rather stagnated, the demand for organic wine from New Zealand is constantly increasing, especially in Asia. A Vinexpo study by the International Wine and Spirits Record (ISWR) showed that even though China is only the eighth largest consumer of wine in the world, Chinese wine consumption is projected to rise by roughly a third by 2013. Overall wine consumption in Asia will jump by a quarter by 2015. Asia is now arguably the priority market for driving growth globally, and among New Zealand wine exporters. (*Vinexpo: For the trade only. Global current and future trends to 2015: consumption*, 2012) There is no doubt that customers have increasingly become discriminating about what they choose to drink. It is very important that they will be provided

with what they expect from organic wine. The quality and enjoyment. Czech wines have much to offer to consumers. Although mostly smaller winemakers are concerned with the organic cultivation, the reason for transition to organic production was the belief that this organic system is better than conventional. They grow excellent wines that have received many prestigious awards at international competitions. Although the Czech organic wines have already found their consumers, the need for additional marketing activities that will result in expansion of its portfolio of consumers are required.

References

1. BioGro: *Think organics, think BioGro: In the news* [online]. 2011. Available from: <http://www.biogro.co.nz/index.php/in-the-news/entry/biogro-first-nz-organic-certifier-to-gain-eu-equivalence>;
2. CSO: *Czech statistical office* [online]. Available from: <http://www.czso.cz>
3. Europa.Eu. *Organic farming: EU policy, Legislation* [online]. 2012. Available from: http://ec.europa.eu/agriculture/organic/eu-policy/legislation_en
4. Focus, marketing & social research. *Výzkum: Trh s vínem v ČR 2008, Shrnutí hlavních výsledků studií realizované v roce 2008 pro Vinařský fond, 2009*
5. Institute of Agricultural Economics and Information [online]. Available from: <http://www.uzpi.cz/indexen.htm>
6. Mze, Andrea Hrabalová A Úzei Praha. *Ročenka ekologické zemědělství v České republice 2010*. Praha: ÚKZÚZ Brno, 2011. ISBN 978-80-7401-053-8.
7. NZ herald.co.nz: *On the up: The remarkable rise of the organic wine industry* [online]. 2011. Available from: http://www.nzherald.co.nz/lifestyle/news/article.cfm?c_id=6&objectid=10751620
8. Pro-Bio: *Výrobce biopotravin* [online]. 2012. Available from: <http://www.probio.cz/>
9. *Vína z Moravy vína z Čech: Aktuality* [online]. 2012. Available from: <http://www.wineofczechrepublic.cz>
10. Sharon L. Forbesa, David A. Cohena. *Consumer Attitudes Regarding Environmentally Sustainable Wine: An*. Faculty of Commerce, Lincoln University, New Zealand, 2009.
11. Teara Story: *Organic farming* [online]. 2009. Available from: <http://www.teara.govt.nz/en/organic-farming>
12. The World of Organic Agriculture: *Statistics and emerging trends 2006*. 1. Aufl. Tholey: IFOAM, 2006. ISBN 978-390-6081-816.
13. *Vinexpo: For the trade only* [online]. Global current and future trends to 2015: consumption. 2012. Available from: <http://www.vinexpo.com/en/>
14. Willer, H., Youssefi-Menzler, M., Sorensen, N. *The world of organic agriculture: statistics and emerging trends 2008*. Repr. London: Earthscan Publications, 2008. ISBN 978-184-4075-928.
15. Zemědělství: *Plocha ekologicky obhospodářované půdy* [online]. 2011. Available from: <http://issar.cenia.cz/issar/page.php?id=1606>

THE EVALUATION OF REPRODUCTIVE PERFORMANCE IN DAIRY HERDS

István FODOR, László ÓZSVÁRI

*Szent István University, Faculty of Veterinary Sciences,
Department of State Veterinary Medicine and Agricultural Economics
E-mail: Fodor.Istvan@aotk.szie.hu*

Summary: The routine monitoring of the efficiency of reproductive programs is necessary in large-scale dairy herds in the 21st century. The importance of the economic evaluation of these programs is increasing, as well, since many thousands of euros are spent on reproductive management on a farm. However, different interpretations of reproductive indices cause difficulties among professionals when comparing the parameters of their farms to that of another dairy. Last, but not the least, proper and uniform interpretation of these parameters is a prerequisite in performing correct economic evaluations. Some indices (e.g. calving interval) are classically used for monitoring some aspects of cows' fertility, however they are less adequate to evaluate the reproductive performance of a farm as a whole. Moreover, variations can be observed in the calculation approaches of certain reproductive parameters among herds, and the figures may be further biased due to the exclusion of some group of animals or the use of a hormonal synchronization program. In this study, the authors present the main reproductive indices from a practical point of view and a more comprehensive way of calculating the indices is shown. The advantages and disadvantages of each parameter are also discussed. Special attention is paid to the possible errors which may lead to the miscalculation and misinterpretation of the parameters.

Keywords: dairy, farm economics, fertility, reproduction parameters

1. Managing reproduction in dairy herds

Successful reproductive management is essential for profitable milk production. Since milk is the major source of income on dairy farms, the goal of the farmer is to maximize milk production. Delayed conception – and suboptimal reproductive performance in general - lead to decreased milk yield per time unit (Ózsvári, 2013). Reproductive events should be prudently recorded in order to make certain important parameters quantifiable by the farm manager, the vet or the consultant. The accuracy and the value of these calculations will depend on the quantity and quality of the records. Nowadays farm management softwares offer a great opportunity for recording and analysing information on herd performance, thus, a wider range of more sophisticated fertility measures can be used than in the case of manually written records (Noakes et al., 2001, DairyCo, 2012). Reproductive indices provide the best information of breeding problems, and by monitoring trends, farmers who currently do not have problems with getting their cows pregnant can detect problems as they develop. Guidelines usually show goals for optimal efficiency, but it is highly advised to pay attention to the regional or national values of these indices. These are more realistic, easier to reach and regional differences (e.g. weather conditions) make goals more difficult to reach for some producers (Varner et al., 2012). The most important reproductive indices used in all-year-round calving herds are included in the present work.

2. Indices in quantifying reproductive efficiency

2.1. Calving interval

Calving interval is the interval (in days) between successive calvings calculated retrospectively from the cows' most recent calving date (Noakes et al., 2001). It is a classic parameter of monitoring reproductive performance in dairy herds, but fraught with problems. Firstly, culled cows, pregnant cows which have not yet calved and do-not-breed cows are excluded from the calculation of this parameter. Secondly, first lactation animals, which may account for the 30-40% of the herd are also excluded. Thirdly, since events that were 1.5-2 years ago may be included in this index, calving interval is considered too historical for regular assessment. Fourthly, it is a parameter which is likely skewed upwards, thus, hides extreme and costly within-herd variations (e.g. the average of two cows, one with a 370-day long, the other with a 450-day long calving interval is 410 days, which is considered good). Calving interval covers return to cyclicity and conception (Fetrow et al., 2007, Farin and Slenning, 2001, DairyCo, 2012, ICAR, 2014, Köcski, 2007, Kranjec, 2015). This index can be used well in economic calculations, however, the results should be interpreted prudently.

2.2. Days open (DO)

This index is a good example of the inconsistent use of the reproductive parameters, since different definitions are given in different sources:

- Definition 1: the average interval from calving to conception in a herd (Fetrow et al., 2007, Farin and Slenning, 2001). By adding the average gestation length (280 days) to the DO, we get the predicted calving interval.
- Definition 2: the interval (in days) from calving to the subsequent effective service date of those cows that conceive, and from calving to culling or death for those cows that did not conceive. DO is influenced by management decisions, because the farmer decides when to cull the cows not conceiving. Calving to conception interval is distinguished, since it takes only the conceiving cows into account, culled cows are ignored, thus, DO exceeds CCI. In this respect, CCI is used for calculating predicted calving interval (Noakes et al., 2001, DairyCo, 2012). If 70 cows conceive in a herd of 100 with a CCI of 85 days and the remaining 30 cows are culled 300 days after calving on average, then DO is $(70 \cdot 85 + 30 \cdot 300) / 100 = 149.5$ days.
- Definition 3: the interval between calving and the last insemination date (ICAR, 2014).
- Definition 4: the average of days open, that is the sum of days open of the cows in the herd divided by the number of cows, calculated as described beneath. The number of days from calving to:
 - conception in pregnant cows,
 - last insemination in cows which had been bred but not confirmed pregnant yet,
 - and the current date for open cows (Varner et al., 2012).

Days open is a widely used parameter, which is readily available in most recording systems. It is usually a highly skewed parameter, which may mask the wide distributions in performance. Cow fertility, estrus detection and management decisions affect DO (Fetrow et al., 2007, Farin and Slenning, 2001, Varner et al., 2012, DairyCo 2012). In Hungary, the calving to conception interval (CCI) is mostly considered as days open.

2.3. Voluntary waiting period (VWP)

VWP is the postpartum time during cows are deliberately not bred (Farin and Slenning, 2001, Szelényi et al., 2010). Uterine involution passes off in 42 days, thus, typical length of the VWP is 45-55 days, because it is economically not viable to inseminate the cow before the end of the involution. Extended VWP may be given to the cows to reduce the detrimental effects of negative energy balance and endotoxins in the first weeks of the lactation (Szelényi et al., 2010, Szenci, 1995). However, the stated policy and the actual behaviour may not be the same on the farms, and farmers may start to inseminate their cows before the end of VWP. Actual VWP can be estimated by examining the days in milk (DIM) where first inseminations begin to cluster (e.g. by a scatterplot), anyway, VWP is a parameter which is difficult to track and police effectively.

2.4. DIM at first breeding (days to first service, calving to first service interval)

To assess the DIM at first breeding the number of days from calving to first service must be added together for all cows inseminated and then divided by the number of cows inseminated. This index is influenced by the VWP policy of the farm, the prevalence of delayed return to cyclicity after calving and the failure to detect estrus (Noakes et al., 2001, Farin and Slenning, 2001, Varner et al., 2012).

2.5. Estrus detection

When talking about estrus detection (ED), one has to distinguish between ED intensity and ED accuracy. Estrus detection intensity refers to the proportion of cows seen in estrus. ED accuracy shows the proportion of cows correctly identified being in estrus from those detected in estrus. Improvement of ED has much greater influence on reducing the calving to conception interval than improving pregnancy rate, since the latter parameter can only be improved up to a certain level. It is advised to record observed heats during VWP, as well, because the time of subsequent estrus can be anticipated, thus, estrus detection rate can be improved and acyclical cows can be identified earlier, as well (Fetrow et al., 2007, Noakes et al., 2001).

2.5.1. Estrus detection rate (heat detection rate)

Estrus detection rate (EDR) is a parameter to describe estrus detection intensity. EDR is the proportion of cows identified in heat as a percentage of cows eligible for heat in a defined period. This parameter can be assessed by dividing the average length of the estrus cycle (21 days) by the mean interbreeding interval (IBI) of the herd, and express the result as a percentage. An advantage of the use of EDR is that nonperforming cows are also included in the calculations. A large number of short IBI due to inaccurate estrus detection leads to the overestimation of EDR. This index is inapplicable when hormonal synchronization programs are carried out, because the cows' estrus cycle is manipulated. Distinction can be made between EDR for first service and return to service EDR (Fetrow et al., 2007, DairyCo, 2012, Noakes et al., 2001, Farin and Slenning, 2001).

EDR covers the extent to which heat is expressed, as well as the efficiency of estrus detection. Inadequate nutrition, housing and certain health conditions lead to poor estrus expression. Insufficient observation of cows, poor building layout and staff overload can contribute to low estrus detection rates. When EDR is very high, a large proportion of cows not truly in estrus may be bred, leading to decreased conception rates. When only the cows most profoundly

showing signs of estrus are bred, EDR will be very low, though conception rate may be excellent. Optimal herd performance is reached when neither EDR, nor conception rate is at an extreme. Striving for higher and higher EDR may lead to increasing inaccuracy in estrus detection, therefore it may be counterproductive beyond a certain level (Farin and Slenning, 2001, DairyCo, 2012).

2.5.2. Breeding interval (interbreeding interval, IBI)

Breeding interval expresses the accuracy of heat detection and the selection of cows in heat for service, moreover, disorders occurring postinsemination influence this index, as well. IBI is calculated as follows: (average days open – days to first insemination)/(services per conception – 1). Since average days open is a skewed parameter, IBI is an imperfect measure, as well. Five ranges of IBI are distinguished: 2-17 days, 18-24 days (normal estrus cycle), 25-35 days, 36-48 days (twice the normal cycle) and > 48 days. In well-managed herds the proportion of the 18-24-day long intervals should exceed 45%. If the proportion of 36-48-day long intervals is high and the 18-24-day long is low, it probably refers to poor estrus detection. Increased proportion of 2-17-day long and 25-35-day long intervals show that identification of estrus is inaccurate. Higher percentages of intervals longer than the normal cycle length may reflect increased occurrence of late embryonic or early fetal deaths (Köcski, 2007, Farin and Slenning, 2001, Noakes et al., 2001). Estrus detection accuracy can be improved by performing progesterone tests, as well (if the cow is in heat, progesterone level must be low).

2.6. First service conception rate (also referred to as first service pregnancy rate or fertility)

This parameter is considered one of the best predictors of overall reproductive program success. First service conception rate is defined as the number of first services resulting in a pregnancy as a percentage of the total number of first services given over a certain time period. If 40 cows of 90 hold in-calf to the first service, then first service conception rate is $(40/90)*100=44.4\%$. This index covers cow fertility, bull fertility and management influences (such as heat detection accuracy, AI timing and technique), as well. One must be aware that larger DIM to first service may result in better first service conception rate (Farin and Slenning, 2001, DairyCo, 2012, Köcski, 2007).

2.7. Services per conception

Two approaches exist in assessing services per conception: to use the number of pregnant cows or the total number of cows inseminated as the denominator. Services per conception (pregnant cows) has to be calculated as follows: the total number of inseminations must be given for each pregnant cow, then these values have to be summed up, and then divided by the number of pregnant cows. In this approach non-pregnant cows are not included in the calculations. Services per conception (all cows) is a better index for evaluating conception in the herd, because it includes all inseminations, whether the cow finally became pregnant or not. If the “all cows” parameter is much higher than the “pregnant cows” one, then there must be several problem breeders in the herd. The inverse of services per conception (all cows) parameter is the conception rate (Farin and Slenning, 2001, Varner et al., 2012).

2.8. Pregnancy rate (PR)

The definition of pregnancy rate varies among different sources. It is more widely used as the proportion of open cows that become pregnant during a specified period of time (usually 21 days), expressed as a percentage of eligible cows (Fetrow et al, 2007). Another definition is that PR is the number of services given to a defined group of cows or heifers, over a specified period of time, which result in a diagnosed pregnancy expressed as a percentage of the total number of all services and should include culled cows (Noakes et al., 2001). PR is usually calculated as the product of estrus detection rate and conception rate, however, this method is fraught with errors, since the inclusion of different groups of cows and the way of calculation of each parameter included may vary. It is much better to calculate PR directly from actual pregnancy diagnosis results. PR is a very useful index, which is up-to-date and not biased, since all eligible cows are included in the calculation. Trends can be observed by using PR as a monitoring parameter. PR has a significant effect on the number of inseminations required and the number of calves born. However, PR has little value in pinpointing the origin of any fertility problem. Another disadvantage is that the length of time from insemination to pregnancy examination affects the interpretation (early pregnancy diagnosis may lead to higher pregnancy rates and higher abortion rates, since a significant proportion of embryos observed on day 28 may not survive until day 42, for example). Thus, the method of pregnancy diagnosis should be specified (Farin and Slenning, 2001, DairyCo, 2012, Noakes et al., 2001, Fetrow et al., 2007).

2.9. Non-return rate (NRR)

The calculation of NRR relies on the basic assumption that an animal not subsequently recorded as re-served is pregnant. NRR is the percentage of females inseminated for the first time and not recorded as having returned for another service within a specified number of days. Although this index overestimates PR, it can be useful for comparing the performance of artificial insemination (AI) personnel and the fertility of different bulls. Therefore, this index is used particularly in AI centres (DairyCo, 2012, Noakes et al., 2001, ICAR, 2014).

2.10. Productivity

Productivity is the sum of the number of pregnant cows and the number of cows that calved in the last 3 months, divided by the number of cows, expressed as a percentage. It is considered good above 70% (Pál, 2012).

3. Economics of reproduction

Reduced milk production is the major source of financial loss when conception is delayed, because the cow spends more time at the end of lactation (when daily milk production is lower). In addition to this, inefficient reproduction leads to less calves born, higher semen and labour cost, higher veterinary cost and slower genetic progress, as well. Recent results of Hungarian surveys show that reproductive problems cause 130-270 EUR loss per cow annually and the cost of excess days open is 1.6-3 EUR per day (Fodor, 2011, Ózsvári, 2013).

4. The importance of reproductive indices in dairy herd management

Deriving the reproductive indices and comparing them to established standards, to the performance of other dairies or to the preceding performance of the same dairy is of utmost

importance in the assessment of the efficiency of the reproductive management. However, results are comparable only if the definitions of reproductive parameters are used uniformly, which is lacking nowadays among Hungarian dairy farmers and veterinarians. Efforts should be made regarding uniform use of the indices. The milk quota system has been abolished in the EU recently, which puts dairy farms into a radically different economic context: milk prices will probably decrease in Hungary. The reproductive indices should be used properly and with high confidence to enhance efficient allocation of farm resources among the different fields of cow health management, therefore promoting competitiveness.

References

1. DairyCo (2012): *PD+ Folder Section 2 – Defining your terms*, Available online: http://www.dairyco.org.uk/resources-library/technical-information/fertility/pdplus-section-2-defining-your-terms/#.VUUbL_ntmkq
2. Farin, P.W. & Slenning, B.D. (2001): 'Managing Reproductive Efficiency in Dairy Herds' in *Herd Health*, ed. Radostits, O.M., Saunders, Philadelphia, pp. 255-289.
3. Fetrow, J., Stewart, S., Eicker, S. & Rapnicki, P. (2007): 'Reproductive Health Programs for Dairy Herds: Analysis of Records for Assessment of Reproductive Performance' in *Current Therapy in Large Animal Theriogenology*, eds Youngquist, R.S. & Threlfall, W.R., Saunders, Philadelphia, pp. 473-489.
4. Fodor I. (2011): *Economic losses due to main diseases in dairy herds*, Students' Research Circle work, Szent István University Faculty of Veterinary Science, Budapest, p. 43.
5. International Committee for Animal Recording - ICAR (2014): *ICAR Recording Guidelines*, Available online: http://www.icar.org/documents/Rules%20and%20regulations/Guidelines/Guidelines_2014.pdf
6. Köcski L. (2007): 'Szaporodásbiológiai gondozás' in *Házi emlősállatok mesterséges termékenyítése*, ed. Pécsi T., Mezőgazda Kiadó, Budapest, pp. 181-218.
7. [Kranjec F. \(2015\): A jó szándékkal elvesztett idő, "Holstein Magazin", 23 \(2\), p. 34-35.](#)
8. Noakes, D.E., Parkinson, T.J. & England, G.C.W. (eds) (2001): *Arthur's Veterinary Reproduction and Obstetrics*, Saunders, Philadelphia, pp. 519-538.
9. Ózsvári L. (2013): 'A szarvasmarha állomány-egészségügy gazdasági kérdései', in: *Gyakori szarvasmarha-betegségek*, ed. Winfried, H., Mezőgazda Kiadó – Nemzeti Agrárgazdasági Kamara, Budapest, pp. 211-236.
10. Pál K. (2012): 'A tehenek termékenyítése' in *Versenyképes tejtermelés*, ed. Munkácsi L., Mezőgazda Kiadó, Budapest, pp. 246-257.
11. Szelényi Z., Bajcsy Á. Cs., Horváth A., Simon J., Szenci O. (2010): Komplex szaporodásbiológiai menedzsment alkalmazása és ennek eredményei egy nagyüzemi tejtermelő tehenészetben, "Magyar Állatorvosok Lapja", 132, p. 529-536.
12. Szenci O. (1995): Az ellés utáni időszak szaporodásbiológiai gondozása tejhasznú tehenészetekben, "Magyar Állatorvosok Lapja", 50, p. 540-542.
13. Varner, M.A., Majeskie, J.L. & Garlich, S.C. (2012): *Interpreting Reproductive Efficiency Indexes*, Available online: <https://www.wvu.edu/~agexten/forglvst/Dairy/dirm5.pdf>

IS ANIMAL WELFARE REWARDING? ANIMALS, ETHICS AND HUMAN BENEFITS IN THE LIGHT OF ALTERNATIVE ECONOMIC INDICATORS

Szilvia VETTER

Department of State Veterinary Medicine and Agricultural Economics, Szent István University, Faculty of Veterinary Sciences, Budapest, Hungary

E-mail: szilvia.vetter@maat.hu

Summary:

The goodness of societies has been traditionally measured through wealth: this was formalized in the 1930s. Gross Domestic Product (GDP) is commonly used, representing the value of all goods and services produced within a nation: a country with high GDP is better than one with low GDP. Nowadays, according to a controversial statement, GDP's sun is set. Much more widely accepted is the thought, that economic growth in itself does not guarantee the well-being of people. That is how the alternative indicators were born. These indicators contain aspects of environment, education, mental and physical health etc. But how other living creatures fit in this system?

Society uses animals for many ways to support our own interests. In recent years though, animal welfare has become a prominent issue for citizens, companies and official bodies in many countries. Ethical based concern for animals is evident now throughout many societies. Therefore, countries and relevant organizations of certain countries (such as the European Union) regulate via provisions the enforcement of animal welfare aspects with regard to economic activities. There are certain fields of economic activities, where the question of animal welfare is intensively in focus, for example in companies working in the food industry. "People, planet, profit", also known as the triple bottom line, are the key factors that should be practiced in every move a person, a company or a country makes, where 'planet' refers to sustainable environmental practices and environment-friendly solutions. This paper describes the links between animal welfare, sustainability and alternative economic indicators.

Keywords: animal welfare, alternative economic indicators, sustainability, food industry, GDP

1. Introduction

The train of thought which is followed in this paper is based on the chain of interdependency. The alternative economic indicators were born to highlight some factors of the human wellbeing which cannot be expressed through GDP. The question of animal welfare has become an important issue in the past decades, partly because of the revealed connection with the well-being of people. Although there are more and more types of alternative economic indicators all over the world, it is hard to find one, which directly includes animal welfare. On the other hand, the role of animal welfare can be detected through environmental issues, such as pollution or degradation of biodiversity.

2. Definitions and terms

In the literature, several examples can be found, in which different authors used different heterogeneous definitions and terms in this topic. In this section the paper's main terms are explained, providing 'fit-to-purpose' interpretations.

'Animal welfare' means how an animal is coping with the conditions in which it lives. An animal is in a good state of welfare if (as indicated by scientific evidence) it is healthy, comfortable, well-nourished, safe, able to express innate behaviour, and if it is not suffering from unpleasant states such as pain, fear, and distress (Vapnek, 2011).

'Environment' refers to natural environment, which include biodiversity (habitats and ecosystems), water quality, supply and demand, the marine environment, the soil environment, landscapes; air quality, and recreation and access to the natural environment. According to this definition, non-human animals are integral part of the environment.

There have been many definitions of 'human well-being' (Alkire, 2002). According to one of the most significant approaches, the main dimensions of wellbeing are the following:

- the necessary material for a good life (including secure and adequate livelihoods, income and assets, enough food at all times, shelter etc.);
- health;
- good social relations;
- security (including secure access to natural and other resources and controllable environment with security from natural and human-made disasters);
- freedom and choice (including having control and being able to achieve what a person values doing or being)(Narayan et al. 2000).

The OECD's Better Life Initiative identifies three pillars of people's well-being:

- Material living conditions (or economic well-being),
- Quality of life, which is defined as the set of non-monetary attributes of individuals that shapes their opportunities and life chances,
- And the sustainability of the socio-economic and natural systems where people live and work, which is important for well-being to last over time (OECD, 2013).

3. Human-wellbeing, animal welfare and environment

As the final goal of every economic activities is providing and raising human wellbeing, it's worth to examine the connections between human and animal well-being.

The idea of environment has changed a lot recently. The traditional anthropocentric idea of the environment - dominated by the human person - was produced by the religious concept of men considered to be the centre of the universe. This idea is strengthened by modern man's ability to manipulate environment through modern technology. According to this approach, the environment is nothing other than components submitted to the man. Nowadays this approach's sun is set. Western science has given up identifying absolute values, it has started to focus on the path that might help defining what is morally wrong or right. This approach helped people to distance from the purely anthropocentric point of view towards a system much more complex, which has led to respect of the environment and responsibility in connection. Legally spoken, environment cannot be considered the subject of a right, being but the object of a duty (Raudsepp-Hearne, C. et al., 2010).

3.1. Moral aspects

Being responsible means being morally involved, and it also means, that there became an interdependency between human wellbeing and the condition of the environment, including animals. A statistically significant negative correlation was found concerning environmental degradation and well-being (around 81% of the individuals demonstrate concern for the ozone layer) and a statistically significant positive connection between caring for animal extinction and well-being (about 85% of the individuals revealed concern for the extinction of species) (Ferrer-i-Carbonell et al., 2007).

So a system that results in poor welfare is unsustainable because it is unacceptable to many people (Broom, 2010). It is moral to protect animals given that they are capable of experiencing pain or of feeling pleasure, therefore there is no moral justification for causing anyone pain, including animals (Singer, 1985). The moral dimension and concept of the non-human factors (environment, animals) has emerged. Having a higher level of animal welfare concludes to a higher dimension of human moral stage. So there is evidently a connection between the well-being of non-human animals and the moral, psychological aspect of human well-being. If we examine the five dimensions of human wellbeing, this kind of moral questions can rather be included in the fifth dimension about the freedom and choice: can we choose the moral principles of our life? Psychological health has not been measured globally, and it makes the scalability of this dimension very difficult.

3.2. Health aspects

There is a much more evident link between animal and human wellbeing, which can be found among the five dimensions of human wellbeing directly. About 75 percent of the new diseases that have recently affected humans are caused by pathogens originating from animals or from products of animal origin (FAO, 2009, 84.) Moreover, the causality between animal welfare problems and animal diseases has also been proven. Like humans, when experiencing severe stress, animals can succumb to disease or fail to reproduce or develop properly (Moberg, 1985). One of the Five Freedoms is freedom from fear and distress (legislative, 6). These harmful effects of stress highlights the importance of stress to an animal's wellbeing (Biology of animals stress).

If we look at the production side, animal healthcare statistics prove that the large majority of losses in livestock breeding (mortality, compulsory slaughtering, diseases, poor reproduction and body mass index (BMI) results, medical expenses, etc.) are not caused by obligate pathogens. Most losses are the direct result of diseases due to unfavourable conditions related to animal breeding, feeding and raising or other external factors (power failure, damages from hail, etc.) (Vetter et al., 2014). In summary, animal health and welfare is inextricably linked to human health.

3.3. Economic aspects

The third connection is the economic link, which refers to the first dimension of human wellbeing directly. Animal welfare regulations generally jolt enterprises from the usual minimum cost-maximum return intersection, so animal protection may appear costly at first. However, in the long term in most cases, they do not bring lower revenues because applying the new – often more expensive – method or technology boosts productivity and because the loss of competitors due to compliance failure may increase the market share for complying companies. The consumers' behaviour is a paradox: on one hand, they are becoming more and more aware of the environmental impacts of their daily lives, whereas on the other hand, concern for the ethical treatment of animals does not always mean changes in purchasing habits.

4. Raison d'être of alternative economic indicators

According to OECD, in recent years, there have been increasing concerns about the adequacy of traditional macro-economic statistics, such as GDP, as measures of people's current and future living conditions, national or societal well-being. That is inevitably true: GDP makes no distinction between transactions that add to well-being, and those that diminish it. GDP assumes that every monetary transactions (including crime, pollution etc.) adds to wellbeing,

but it's definitely not the case. GDP does not measure human health, environmental health/decay and destruction of the natural environment or lack of concern for future generations. As the GDP increases, well-being does not necessarily increase along with it (Cummins et al., 2003).

Alternative economic indicators were mainly born to measure either one single aspect of the human wellbeing, or they are making a subjective effort to define the wellbeing as a whole. It's clear, that these indicators are the tools for comparison: one single number in itself cannot be interpreted without comparison.

5. Alternative economic indicators and animal welfare

Lots of the alternative economic indexes contain environmental issues as well. Based on the presumption, that animals are integral part of environment, animal welfare can also be part of an indicator.

How can an alternative economic indicator include animal welfare? The first question is the interpretation of the expression 'economic', whether it can contain factors that are hardly quantifiable, and doesn't necessarily have direct effect on the consumption. According to Samuelson (2009), economics is the study of how men and society choose, with or without the use of money, to employ scarce productive resource which could have alternative uses, to produce various commodities over time and distribute them for consumption, now and in the future among various people and groups of society. That means, only those aspects of animal welfare could be included in the economy, which cause change in producing commodities or consumption. Some aspects of the animal welfare are highly economic: if the owner doesn't have the financial background, he cannot pay for accommodation and food for the animal etc. But the question of animal welfare is much more complex. If we're observing 'economics' from a higher perspective, and searching for its final goals, the wellbeing of people, animal welfare can fit in the system as an alternative target of redistribution.

Indicators could theoretically include animal welfare directly or indirectly as well. Regarding the already mentioned connection between animal and human wellbeing, the examination of animal welfare in itself can be an alternative - partly economic - indicator, as well. Animal welfare can also emerge among the environmental factors of an indicator, so it can effect some indexes indirectly. In this case the animals are not explicitly affected at individual level, but as livestock, or at species level.

While creating alternative economic indicators, there were efforts to capture the environmental sustainability aspects among the main factors which determine human wellbeing.

1.1. Pollution, as a link to animal welfare

Although the majority of the existing environmental-type alternative economic indicators are influenced by the issues of animal welfare only indirectly, these indicators contain certain aspects of pollution, which has a strong link to the wellbeing of animals at individual level as well.

Environmental pollutants can adversely affect animal health and reproductive function, through either direct or indirect effects on numerous organs and systems. These effects are not generally reflected in visible reductions in animal performance but subclinical effects may result in reductions in animal performance, with associated economic consequences (Rhind, 2010). There are myriads of concrete examples for that from the recent decades. Just to mention one concrete study: a cross-sectional epidemiologic study associating air quality with swine health was conducted on 28 swine farms in southern Sweden. Correlation of housing air environment to swine diseases and productivity were investigated. Several air contaminants

(dust, ammonia carbon dioxide, and microbes) were found to be correlated with serious swine health problems, such as pneumonia, pleuritis and neonatal pig mortality (Donham, 1991). Let's see some examples. The GPI (Genuine Progress Indicator) assigns value to the natural environment so that the destruction of this and its replacement with commoditized substitutes no longer appears as growth. It's incorporating environmental and social factors. Among lots of others, GPI accounts for pollution or long term environmental damage. The Gross Environmental Sustainable Development Index (GESDI) measures the quality of growth and development. It includes over 200 indicators of non-market values. Besides the economic development, it's incorporating dimensions of psychological, physical and spiritual indicators as well as available resources and questions of the environment.

1.2. Degradation of biodiversity, as a link to animal welfare

Besides pollution, degradation of biodiversity is also a possible factor of alternative economic indicators. According to some authors, massive losses of biodiversity are also a form of animal abuse (Bekoff, 2009). Moreover, recent trends in animal husbandry raise serious sustainability issues, affecting both animal welfare and biodiversity. The extension of markets and economic globalization have contributed significantly to the loss of domestic breeds, especially livestock (Tisdell, 2003).

For instance, Gross Sustainable Development Product (GSDP) measures the cost of growth and development. It's incorporating economic impacts of environmental and health degradation or improvement, resource depletion, impact of people activity on environment, the quality of environment, welfare, quality of life of future generations, expenditures on pollution, health, and last, but not least the impact of economic growth on biological diversity. The United Nation Human Development Index (HDI) is a composite index measuring average achievement in three basic dimensions of human development—a long and healthy life, knowledge and a decent standard of living (HDR, 2014). It is a statistical tool used to measure a country's overall achievement in its social and economic dimensions. Although the Index itself doesn't contain a direct link to animal welfare, according to the Human Development Report one of the shocks and threats to human development is the migration or extinction of plants and animal species, in addition to polluted air and degraded land.

6. Suggestion

The link between animal and human welfare can be regarded not only through measurable factors like health or economic issues, but as strong ethical connection as well. Because of these interfaces, it would be advisable to incorporate animal welfare more prominently in alternative indicators. Moreover, an animal welfare indicator itself could provide useful information in the light of human wellbeing and our future.

References

1. Alkire, S. (2002). Dimensions of Human Development. In: World Development, 30 (2), 181-205.
2. Australian Unity Wellbeing Index. In: Social Indicators Research 64., 160.
3. Bekoff, M. (2009). Conservation Psychology and Animal and Human Well-being: Scientists Must Pay Attention to the Social Sciences. In: <https://www.psychologytoday.com/blog/animal-emotions/200908/conservation-psychology-and-animal-and-human-well-being-scientists-must>

4. Broom, D.M. (2010). Animal welfare: an aspect of care, sustainability, and food quality required by the public. In: *Journal of Veterinary Medical Education*, 37(1):83-8.
5. Donham, K. J. (1991). Association of environmental air contaminants with disease and productivity in swine. In: *American Journal of Veterinary Research* 52(10): 1723-1730.
6. Donham, K.J. (1991). Association of environmental air contaminants with disease and productivity in swine. In: *American Journal of Veterinarian Research*, 52(10):1723-30.
7. Ferrer-i-Carbonell, A. & J.M. Gowdy. (2007). Environmental awareness and happiness. In: *Ecological Economics* , 60(3): 509-516.
8. Genuine Progress Indicator. In: www.genuineprogress.net
9. Human Development Report 2014 - Sustaining Human Progress: Reducing Vulnerabilities and Building Resilience. (2014). United Nations Development Programme, New York.
10. Narayan et al. (2000). *Voices of the poor: Crying out for change*. Oxford University Press for the World Bank, New York, 22-31.
11. OECD Framework for Statistics on the Distribution of Household Income, Consumption and Wealth. (2013). OECD Publishing. 27.
12. Raudsepp-Hearne, C. et al. (2010.) Untangling the Environmentalist's Paradox: Why Is Human Well-being Increasing as Ecosystem Services Degrade? In: *BioScience*, 60, 8, 576-587.
13. Rhind, S. M. et al. (2010) Effects of environmental pollutants on the reproduction and welfare of ruminants. In: *Animal* , 4:7, 1227–1239.
14. Samuelson, P.A. & Nordhaus, W. D. (2009). *Economics*. Mcgraw-Hill Publ.Comp, 34.
15. Singer, P. (ed). (1985). *In Defense of Animals*. New York, Basil Blackwell, 13-26.
16. *The state of food and agriculture: livestock in the balance*. (2009). FAO. Electronic Publishing Policy and Support Branch, Communication Division, FAO.
17. Tisdell, C. (2003). Socioeconomic causes of loss of animal genetic diversity: analysis and assessment. In: *Ecological Economics*, 45, 3, 365–376.
18. Vapnek, J. & Chapman, M. (2011). Legislative and regulatory options for animal welfare. In: *FAO Legislative Study*, 104, 9.
19. Vetter et al. (2014). Economic Aspects of Animal Welfare. In: *Acta Polytechnica Hungarica*. 11, 7, 119-134.

IMPLEMENTATION OF CERTIFICATION SCHEMES IN SERBIAN AND NEIGHBORING COUNTRIES AGRIFOOD INDUSTRY

*Dejan ĐORĐEVIĆ¹, Dragan ČOČKALO¹, Srđan BOGETIĆ², Cariša BEŠIĆ³,
Edit TEREK¹*

¹*University of Novi Sad, Technical faculty "Mihajlo Pupin" in Zrenjanin, Republic of Serbia*

²*Belgrade Business School, Belgrade, Republic of Serbia*

³*University of Kragujevac, Faculty of technical Science, Čačak, Republic of Serbia*

E-mail: djole@rocketmail.com

Summary: Market requirements in the field of agro-food industry which have become as a result of intensified competition, have contributed to the change in business philosophy of food companies. Questions of food safety, standardization and quality of food, provide challenges for each food company. Companies need to respond to these challenges if they want to survive in the market. The purpose of this paper is to analyze the current situation in the implementation of certification schemes in the agro-food industry, where ISO 22000 and GLOBALG.AP are recognized as promising ones. Special attention is addressed in two ways: (1) Comparison of the application of food safety certification schemes, and (2) Overview and opportunities for Serbia and neighboring countries, in relation to its EU food safety schemes certification harmonization efforts.

Keywords: agro-food industry, certification schemes, competitiveness, Serbia

1. Introduction

In recent years in developed countries a trend related to production of healthy food has been developed. European Union (EU) pays a great attention to safe food which can be illustrated by EU Council and Parliament Directions. In Introduction part it is written that [1, p.12] free flux of safe and healthy food is a crucial element of interior market (EU) which significantly contributes to health and welfare of the citizens as well as to social and economic interests.

Food production, distribution and consumption have a significant influence on the environment (e.g. great energy and material demand, emission of CO₂, increased needs for agricultural areas), but they also have a serious social, economic and medical consequences (e.g. health risks, increased obesity, hunger). From the aspect of sustainability, there have been many changes in behavior of people in developed countries which results in increased energy consumption, agricultural areas and other resources. Therefore, the trend is being developed in those countries in relation to food consumption which can be observed through two elements: its influence on the environment and health.

However, beside consumers, food industry as well has begun changing its relationship towards food production. The reasons for such relations can be found in the following trends:

- Changes on food markets which are more and more oriented towards safe and healthy food;
- Greater role of primary food production in the process of safe food production;
- Increased care of the society related to environmental protection through reduction of pollution, energy efficiency increase and usage of alternative energy sources;
- Technological changes in food production which enable better food processing, as well as more secure and safer delivery through logistic chain;

- New legal regulations demanding production of safe and healthy food without using chemical supplements;
- Enlarging wholesale chains which results in increased competitiveness.

In Rural Development Programme from 2014 to 2020 European Union obliged all countries members to finance directly farmers with 30% of incentive funds which would be invested in implementation of sustainable agricultural methods (ecologically acceptable). It means that if you deal with environmentally friendly farming you will not have to change the way of work in order to adjust your methods to environmentally friendly ones. There is also a new support programme for the current farmers who want to move on to ecological farming (within Common Agricultural Policy - CAP). All countries members can offer incentives to environmentally friendly farmers via various types of flexible financial options which will support, for example, cooperation in food production chain for the sake of supporting innovations, development of plans related to quality of agricultural products, making groups or producers' organizations, etc.

2. Implementation of certification schemes and competitiveness of agrifood sector

Thanks to globalization and market changes that are consequences of this process, production, processing and trade of agricultural products have undergone certain changes mostly in the sense of enlargement. Thus, for instance, almost the whole market of agricultural products in the USA is controlled by 6 big purchase chains (Wal-Mart, Kroger, Costco etc.), while in EU 15 biggest supermarkets made EUREP group. Five retail chains (known as the "C5") have the key role on the markets of EU countries members [2], although the food retail market varies significantly between countries:

- Germany and the UK are the most concentrated markets with over 70% of the market controlled by the C5.
- The French market is also comparatively concentrated, with a C5 of around 60%.
- In Italy, Spain and the Czech Republic, the C5 is between 30% and 45%.
- It has come to significant increase of concentration on the markets of Great Britain, Czech Republic, Romania and Spain during the last three years.

Repurchase chain needs of agricultural products are not easy to satisfy neither according to quality nor to dynamics of distribution. As an answer to enlargement of repurchase market a great number of production and processing systems is appearing as well as numerous associations of consumers. They are working on modernization of cultivation technology in order to satisfy numerous market requirements with the aim of realization of production for the known buyer. Only this type of production is secure and cost effective.

Parallel to enlargement of repurchase market of agricultural products goes the process of standardization of production, processing and distribution. EUREP group has its EUREPG.A.P. (Good Agricultural Practice) programme. GLOBAL G.A.P. standard was created on the basis of this programme. In the USA there are even 35 G.A.P. programmes. Three market trends have conditioned an initiative for adoption of this standard: increasing complexity of retailer supply chains, increasing the influence of business surroundings and general complexity and enlargement of market requirements, in other words, consumers and NGOs, [3]. The requirements are mainly related to the following elements: food safety (it must be verifiable), environmental protection, standardized production procedures and quality standards, secured good and safe work condition, etc.

Standards are often narrow and inflexible, they are specific for one group or a group of retailers, they often include a certain level of IT usage, repeated investments, on one side, while on the other side, business of primary producers of food products in conditions of reduced repurchased prices becomes a reality. Making profit in these conditions can only be

compensated through increase in yield, in other words, reduction of production costs per unit. All these facts are directing a production towards enlargement, increase in planting and production units, modernization of production as well as maximum possible reduction of risks from bad weather (frost, hail, drought, etc.) or illnesses and parasites, etc.

The main possible competition concerns would be related to potential foreclosure of competing buyers (i.e. such schemes would be capable of preventing access of competing/alternative retailers to agricultural supplies). A particular certification scheme applied by one or more companies with remarkable market power may limit the access of competing retailers to certain categories of products and/or limit those retailers possibility to differentiate their product range and procurement policies, and, in this way, lose competitive advantage of their more powerful rivals.

3. Main characteristics of food safety certification schemes implementation

There are numerous private food standards and regulations which differ from one another according to the extent of complacency: some of them are voluntary while the others are compulsory. Another difference is in terms of their geographic area. There are also individual standards such as Nature's Choice (Tesco), Filières Qualité, Field-to-Fork and collective national and international standards, Assured Food Standards, Qualitat Sicherheit and Farm Assured British Beef and Lamb as the examples for former and International Food Standard, Marine Stewardship Council, Forest Stewardship Council and GLOBALG.A. as the examples of the latter.

A variety of quality assurance systems have been adopted to manage particular product attributes. While each firm is unique, industries have established, over time, a similar pattern of quality assurance systems adoption and implementation - several different quality assurance systems are adopted and pieced together to obtain a satisfactory level of control for each of desirable attributes of the product.

The BRC Global Standard, which includes quality management system audits in food processing companies, grew out of the initiative of The British Retail Consortium - the leading trading organization in the UK. It is an international scheme with about 14,469 certificates issued in Europe and about 7,500 in the rest of the world.

Protected Designation of Origin (PDO), Protected Geographical Indication (PGI) and Traditional Specialities Guaranteed (TSG) systems started in 1992. with the support of the European Union. The main objective was to differentiate food products by guaranteeing their region-of-origin or traditional production methods. Consumers are informed by product labels - the focus here is on product quality. All in all (published, registered and applied), there are 1,437 PDOs, PGIs and TSGs in the European Union. [4]

Demeter standard, one of the first standards which started dealing with organic food, is becoming more and more important in the countries in this region, in which Slovenia and Croatia have a significant number of certified operations. Demeter has about 9,900 members in total.

ISO organization adopted the standard ISO 22000 in 2005. This standard can be implemented independently from other standardized ISO management systems. ISO 22000 integrates the principles of the Hazard Analysis and Critical Control Point (HACCP) system and application steps developed by the Codex Alimentarius Commission. By means of auditable requirements, it combines the HACCP plan with prerequisite programmes. Hazard analysis is the key to an effective food safety management system, since conducting a hazard analysis assists in organizing the knowledge required to establish an effective combination of control measures. Complementarity with HACCP is one out of ten reasons for implementation of ISO 22000, while the other reasons are the following [5]: improve product quality and safety,

improve the firm's image in the market and customer confidence, strengthen the firm's future competitive advantage, and improve internal processes and procedures and their monitoring. ISO 22000 is an industrial-specific risk management system for any type of food processing and marketing, which can be closely incorporated with the quality management system of ISO 9001. Combined with ISO 14001, this standard represents an equal partner in creation of integrated management system based on a risk. Although the "youngest" among a series of private standards related to food chain there is the biggest rate of growth in implementation of ISO 22000 - according to the data from 2013, this standard is implemented in 142 countries worldwide, with totally 26.847 certificate.

Positioning of food safety certification schemes is illustrated in the Table 1. 3rd party certification (TPC) has emerged as a significant regulatory mechanism in the global agro-food system - TPC reflects the growing power of supermarkets to regulate the global agro-food system, [6].

Table 1: Comparison of quality assurance systems[7]

Quality Assurance System	Attribute managed	Implementation	Advantages	Disadvantages
ISO 9001	Quality	Non-mandatory	Good foundation for a quality management system	Guarantee system quality only (not output quality). Experience to implement. To generic.
ISO 22000	Food safety	Mandatory minimum for all suppliers	Good foundation for food safety management system. Based on HACCP	Difficult to implement. Comprehension of the system. Experience to implement.
GLOBAL G.A.P.	Environment Food safety Social	Mandatory minimum for all suppliers	Objectivity (3rd party audits). Reduces monitoring and auditing costs. Specifies production practices.	Not flexible. High investment and running costs.
BRC	Food safety Value Organoleptic	Mandatory minimum for all suppliers	Reduces auditing costs Objectivity (3rd party audits) Includes food safety component (HACCP)	Not as flexible as form-specific quality assurance system.

GLOBAL G.A.P. nowadays represents one of the most common certified schemes worldwide in the field of food industry. Initially started as EUREPG.A.P. it was turned into GLOBAL G.A.P. in 2007 as more and more producers and retailers around the globe got connected over time. Primarily a pre-farm-gate process standard, for worldwide food safety affairs GLOBAL G.A.P. has increasingly been considered as a main reference for Good Agricultural Practice (G.A.P.). In countries including Austria, Chile, Denmark, France, Germany, Japan, Kenya, Mexico, New Zealand, Spain, and the UK, the GLOBAL G.A.P. has been incorporated into their domestic G.A.P. standards, usually in the form of public-private joint ventures.

GLOBAL G.A.P. was spreading very fast from 2005 when about 35,000 firms were included in certification process until 2012 with almost four times more firms, and finally in 2015 when over 140,000 firms are being certified (Figure 1). GLOBAL G.A.P. scheme has a network of 1.400 trained inspectors and auditors who work for 142 accredited certified bodies whose aim is to certify 409 agricultural products in 112 countries, [8]. The countries, such as

Chile, Italy, Kenia, Peru, South Africa, are much more covered by this standardization scheme.

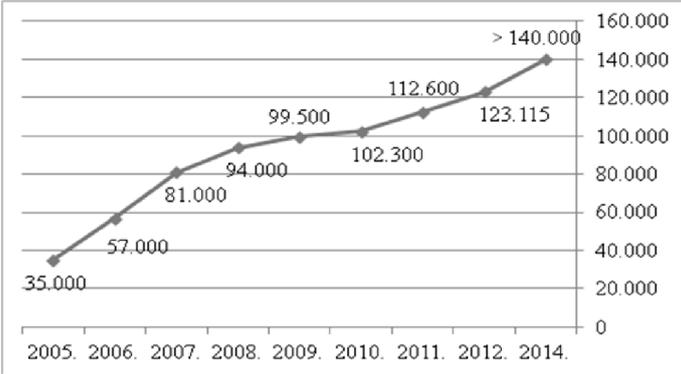


Figure1: Share of certified producers [8]

If we look at the list of the first five countries according to the number of certified producers we'll see that these countries are, among the others, well-known for food production. It's no surprise that these countries initiated the implementation of GLOBAL G.A.P. in order to improve their competitiveness. An interesting fact is that these five countries have been on the top of the list for several years. Figure 3 shows a comparison of the leading countries related to GLOBAL G.A.P. certificates for two years successively – a significant number of certified companies in Netherlands is obvious.

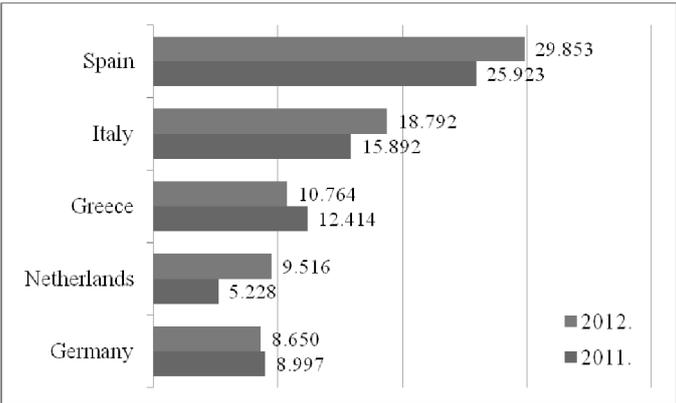


Figure 3: First five countries according to the number of certified producers [8]

4. Implementation of agro-food industry standards in serbia and neighboring countries

The implementation of agricultural standards in Serbia still isn't adequate to the potentials of this field. Ministry of Agriculture, Forestry and Waterpower Engineering of the Republic of Serbia by its Regulation on using incentive funds for introduction and certification of safety system in the period from 2005 to 2008 influenced the increase of certified companies. By organizing the promotional action "Think in time" they wanted to raise consciousness on consumers' rights to this kind of protection and the importance of having a documented quality system for food consumers. In November, 2009 Governments of Switzerland and Serbia signed the agreement on realization of the project "Aid in the field of GLOBAL G.A.P. standard".

According to the data of Ministry of Agriculture, Forestry and Waterpower Engineering of the Republic of Serbia, from 2005 until the end of 2008, there were 781 certified users. In the same time, 112 of them suspended and terminated certification procedure. The greatest number of certifications but suspensions as well was in 2006 – 359 certifications and 61 suspensions. The number of certified companies is significant considering the fact that in

2004, 85% of the companies from this industry never heard of HACCP. Connectivity of standards ISO 14001 and HACCP is highly significant for food companies. In other words, a company which implements the standard ISO 14001 affects the protection of global environment (water, air, ground, natural resources, flora and fauna, people and their relations) and development of environmental quality. The standard ISO 14001 has a significant activity in environmental protection, particularly in risk management. Risk management includes a decision – making in relation to the way of environmental protection activity procedure which relies on the result of risk estimation. The standard HACCP represents a management system in which safety of food products is considered through the analysis and control of biological, chemical and physical risks in complete production chain. That is the reason why HACCP represents a logical continuation of ISO 14001 in companies business.

Table 2 presents a comparative example of standards implementation in agro-food industry and their use in Serbia and neighboring countries. Regarding West Balkan countries (WBC), Serbia is a leader in relation to implementation of all schemes of standards. However, as regards to other neighboring countries Serbia lags behind significantly. Apart from GLOBAL G.A.P. implementation of other standards in Serbia is low. Comparing to Hungary, for example, Serbia lags behind considerably in implementation of GLOBAL G.A.P. scheme. This additionally contributes to uncompetitiveness of Serbian companies. It is obvious from the Table 4 that some neighborin countries, such as Romania and Bulgaria, are more oriented towards ISO certification schemes (generally) than towards GLOBAL G.A.P. scheme, while for Serbia (strictly for food safety) the opposite is true.

There are several reasons for insufficient use of the standards in Serbian agro-food industry and they can be found in the following fact – a company which implements GLOBAL G.A.P. standard has an obligation to perform re-certification every year, which represents a significant financial effort for the company. Moreover, Ministry of Agriculture, Forestry and Water Engineering of the Republic of Serbia terminated co-financing during implementation process of international standards.

Table 2: Implementation of srstandards in Serbia and neighboring countries [4, 9, 10, 11, 12]

	ISO 9001	ISO 14001	ISO 22000	GLOBAL G.A.P.	BRC	PDO/ PGI/TSG	Demeter
Albania	167	34	7	0	1	0	0
Bosnia and Hercegovina	794	141	17	269	2	0	0
Croatia	2,636	828	97	141	14	13	1
Macedonia	399	131	25	14	1	0	0
Montenegro	118	24	7	0	0	0	0
<i>Serbia</i>	<i>2,366</i>	<i>762</i>	<i>193</i>	<i>281</i>	<i>37</i>	<i>0</i>	<i>0</i>
Slovenia	1,993	468	19	22	9	25	27
WBC Total	8,473	2,388	365	727	64	38	28
Bulgaria	5,378	1,373	244	17	29	7	2
Hungary	7,186	1,955	137	957	121	15	19
Romania	18,450	8,744	1,014	46	51	4	1

Source: own calculation based on sources

In some Western Balkans countries (e.g. Serbia, Bosnia and Herzegovina and Macedonia) implementation of different quality and food safety assurance schemes is either required by law or large multinationals (both producers and retailers) which establish their own schemes and requirements (such as HACCP). However, other private and food quality standards are applied periodically although their implementation and certification is promoted by the governments of these countries. Except HACCP, food safety standard ISO 22000 and ISO

9001 are most commonly implemented in West Balkan countries. It should be mentioned that food producers in these countries received financial support from different governmental and nongovernmental organizations (USAid, SIEPA and EU funds). Besides HACCP, the most common certifications in the Western Balkan food industry cover food safety (ISO 22000) and quality management systems (ISO 9001).

Implementation of GLOBAL G.A.P. and other quality assurance standards which are used by Serbian agro-food producers implies a support of the Government which has to create a stimulative ambience for producers. The Government has already stimulated and supported the implementation of HACCP which is nowadays compulsory but it is also necessary to do the same with other standards in this field. At this point it should be emphasized that food safety system in Serbia needs certain improvements related to food safety control, inspection, knowledge and expertise. In other words, there is room for improving professionals, such as inspectors, governmental officials, consultants and auditors. In addition, a lot of work and efforts should be invested in improving transparency and communication between legal authorities, on one side and customers, consumers and food business operators on other side. Moreover, it is necessary to re-establish supporting mechanisms to Serbian agro-food producers through the support in the following fields: finances, education, applying practical experiences, information on other standards close to this field, information on new trends in agricultural industry, taking part in competitions such as G.A.P. Awards.

5. Conclusion

The implementation of certification schemes in agro-food industry is of great importance both for the company which has implemented it and for other factors on the market, for example, consumers of its products, the environment in which it operates, business partners who must have the same standards as a precondition for cooperation. This is how a chain of good practice is made which motivates other companies to start the implementation of certification schemes in order to assure consumers in safety of agricultural products which they buy in retail shops.

The role of retail shops is crucial in encouraging the implementation of certification schemes familiar with this field. The reason lies in the fact that retailers are the first who can notice consumers' attitudes towards food. Today, consumers are well-informed about healthy food as well as about new trends in this field (e.g. less fats, sugar, etc.), along with the support of international organizations (FAO) which additionally influences flexibility of producers and retailer chains.

Unfortunately, food companies in Serbia are not sufficiently supported by the state to implement certification schemes in agro-food industry. We have noticed only the examples for GLOBAL G.A.P. standard of individual support by international organizations (USAid, SIEPA, EU funds, SECO) and NGO sector so far, which is not enough if we want to make a step forward in this field.

Very implementation of certification schemes has considerable advantages of which the following are identified: easier access to customers on international markets, higher market price of products (perhaps, not in the beginning but in the future it is expected), etc. However, whether standards like GLOBAL G.A.P. will be implemented depends only on agro-food producers and manufacturers, on their estimation and plans in relation to their company in the future.

References

1. Varga, J., Đorđević, L., Đorđević, B., Karadžić, M., Nemet, B., Darvaš, O., . . . Ulična, E. (2006). *HACCP and food safety [in Serbian]*. Novi Sad: Adžes.
2. EU. (2009a). Agricultural product quality policy: Impact assessment; Annex D, Certification schemes for agricultural products and foodstuffs: EU.
3. Djordjevic, D., Cockalo, D., & Bogetic, S. (2011). An analysis of the HACCP system implementation - The factor of improving competitiveness in Serbian companies. *African Journal of Agricultural Research*, 6(3), 515-520.
4. EU. (2015). DOOR database ("Database of Origin and Registration"). Retrieved 03.02.2015 http://ec.europa.eu/agriculture/quality/schemes/index_en.htm
5. Escanciano, C., & Santos-Vijande, M. L. (2014). Reasons and constraints to implementing an ISO 22000 food safety management system: Evidence from Spain. *Food Control*, 40, 50–57.
6. Hatanaka, M., Bain, C., & Busc, L. (2005). Third-party certification in the global agrifood system. *Food policy*, 30(3), 354-369.
7. Sterns, P. A., Codron, J.-M., & Reardon, T. (2001). *Quality and quality assurance in the fresh produce sector: a case study of European retailers*. [Selected Paper]. 2001 Annual meeting, August 5-8, Chicago, IL. American Agricultural Economics Association.
8. GLOBALG.A.P. (2015). Facts and figures Retrieved 05.02.2015, from www.globalgap.org
9. ISO. (2014). The ISO Survey 2013. Retrieved 01.02.2015, from ISO http://www.iso.org/iso/iso-survey_2013.zip
10. BRC. (2015). BRC Directory Retrieved 03.02.2015, from <http://www.brcdirectory.com/>
11. DI. (2015). Certified Operations in Member Countries of Demeter-International (DI), 05/2014. Retrieved 05.02.2015, from Demeter-International (DI) <http://www.demeter.net/sites/default/files/DI-Statistic-05-2014.pdf>
12. GLOBALG.A.P. (2012). GLOBALG.A.P. Annual Report 2012. Retrieved 02.02.2015, from GLOBALG.A.P. http://www.globalgap.org/export/sites/default/.content/.galleries/documents/130124_AR12_web_en.pdf

THE HISTORY AND IMPORTANCE OF BIOTERRORISM

László ÓZSVÁRI¹, Gyula KASZA², Zoltán LAKNER²

¹Szent István University, Faculty of Veterinary Sciences, Department of State Veterinary Medicine and Agricultural Economics, Budapest, Hungary

*²Corvinus University, Department of Food Economics, Budapest, Hungary
E-mail: Ozsvari.Laszlo@aotk.szie.hu*

Summary: The use of living organisms as weapon has been seen throughout the history of mankind. In our age the growing global tension, the several malfunctional nations and the multitudinous occurrence of low-intensity conflicts increase the risk of biological terror attacks even in Hungary. In case of a contingent biological terror attack the veterinarians will become key figures fighting in the forefront, because 60% of the human contagious diseases are zoonotic and the food-chain is an easily vulnerable target which is fundamentally supervised by them. Malicious, deliberate contamination of food and water supplies with different biological agents, including bacteria, viruses, parasites and bacterial toxins for terrorist purposes is a real threat to the civilian populations worldwide. Hence, in the paper the authors review the concepts, history and future trends of bio, agro and food terrorism, and the possible impacts of bioterrorism on food-chain, public health, economy and the whole society.

Keywords: bioterrorism, food chain, public health, economic impacts

1. Introduction

The history of mankind is about permanent conflicts that mostly ended in armed combat. The wars frequently affected the civil population as well, but since the turn of the 18-19th century the international contracts have been aiming at the isolation of the armed forces from the civil population (Kalshoven and Zegveld, 2001). After World War I, the bi- and multilateral agreements restrained the use of weapons of mass destruction, above all the biological, chemical and nuclear agents. However, the implementation of these contracts has greatly weakened hence new types of conflicts have arisen since the mid-20th century, and the civil population from the military actions cannot be sharply separated. In these conflicts, the psychological warfare (scaremongering, economic and ecological destruction, threats to the civil population, etc.) is of increasing importance. These aims can easily be achieved by biological weapons.

In the last 100 years these non-traditional wars have become exceedingly dominant especially the low-intensity conflicts. These political-military oppositions between states and/or social groups have not yet reached the level of war, but have gone beyond peaceful competition. In the 21st century, the low-intensity conflicts are still prevailing.

The use of biological weapons can be traced back to the beginning of armed combat, but they were used quite rarely in the interstate conflicts, probably because of the fear of backlash. Nevertheless, the rising global tensions, the malfunction of many states, and the spread of low-intensity conflicts can lead to the strengthening of international terrorism, and the terrorist are not abided to international laws and the concerns of the state leaders. Thus, it can be assumed that the biological agents can play a role in the hands of terrorists, and could even threaten the safety of the European countries.

2. History

The use of living organisms in human conflicts has been accompanying mankind throughout history. Even the early man dipped their arrows and spears into different contaminants including

faeces of human or animal origin to prolong the healing process of the inflicted wounds. In the antique wars the animal cadavers were thrown into the wells to contaminate the water supplies (Jared, 1997).

In the medieval ages, it was a common practice to throw the corpses of animals or humans that died due to contagious diseases (mostly plague, *Yersinia pestis*) into the fortresses. In 1346, the tartars catapulted corpses of men deceased by the pest into the castle of Kafa on the Crimea, resulting in the Black Death plagues in Europe in the XIV century (Varkey et al., 2002). The British army in the XVII century distributed blankets infested with smallpox (*Variola major*) amongst indigenous indians (Bronze et al. 2002). During World War I the diversionists of the German army infected the horses and cattle with glanders (*Burkholderia (bacillus) mallei*) and anthrax (*Bacillus anthracis*). The German diversionists were also active in American and Argentine ports, and their task was to infect the animal shipments to Europe (Redmond et al., 1998).

Since its establishment, the Soviet Union had been preparing for a war in which the biological agents can be used. The research and development of biological weapons started in 1926, mainly targeting the destruction of the agricultural production and food supplies. Their plan was to apply the house-fly (*Musca domestica*) to spread the foot-and mouth-disease (Feodov, 2005).

In Japan a special military unit was founded to reveal the modes of action of the biological agents. The notorious Unit 731 had conducted experiments with live humans. In the World War II Japan released bombs stuffed with fleas and flies infected with cholera onto Chinese settlements (Harris, 1992).

In World War II, biological weapons were not applied, but opponents were prepared to use them. Before the war, Germany began conducting experiments on the infection of agricultural fields with Colorado beetles (*Epinotarsa decemlineata*) (Lesho et al., 1998). During the war, the English tested anthrax-bombs on the Gruinard-islands. The experiment was so successful that the whole island was closed down for 50 years. In England large amount anthrax infected cattle feed was produced with the intention of bombing target areas, but finally these kind of actions did not take place. The United States built a plant in 1944 that could produce half a million anthrax bombs a month, each pieces weighing about 4 pound. It can be assumed that due of fear of backlash these biological weapons were never applied on the battlefield (Koblentz, 2009).

After World War II the phenomenon of food terrorism appeared. In 1946, a group of avengers poisoned the bread of SS-soldiers with arsenic in a guarded camp (Khan et al., 2001). In the cold war a huge amount of biological weapons were stocked on both opponent military blocks. Its major cause was that the biological weapons had significant devastating effect that was confirmed by many experiments and estimations. According to Cuban references the American secret services attempted to take agro-terror attacks against the Cuban plant production and animal husbandry at different times between 1962 and the early '90s (Prado and Amores, 2010), but these attacks were denied by the US government. However, it is a fact that the USA stockpiled 36 thousand kg wheat-stalk rust fungi (*Puccinia graminis* Pers. f. sp. *tritici*) in 1960. In order to disseminate this agent a device resembling a paper aircraft was constructed, replacing the earlier technique of pathogen coated feathers (Torok et al., 1997).

In 1978 in Rhodesia (today Zimbabwe) 182 people died owing to bovine anthrax infection that was caused by governmental troops trying to weaken the economic background of the insurgents (Blancou and Pearson, 2002). According to Collins (1983) the soviet troops infected the insurgents' horses with glanders in Afghanistan so as to hamper the supply lines. Hopmann (2009) stated that since the 1980s three significant biological weapon development programs have become known, of which the soviet one was the most important lasting until 1992. In 1991 after the Gulf War in Iraq the production of biological weapons was proved, so was it in South-Africa a little bit later.

It is not a commonly known fact that the American army widely use biological weapons in the war on drugs. In the 1990s in Uzbekistan a successful experiment financed by the Americans was conducted in that *Fusarium oxysporum* was used against growing drug plants. The results of trials,

which ended in 2001, was successfully exploited in Colombia. Many scientists protested against the experiments because they were concerned about the application of this agent destroying plants without the farmers' consent (Thoumi, 2010).

We have a little knowledge about the bioterror attacks committed in the last decades. Only one action taken by a religious sect drew public attention. In 1984 an American religious sect in Oregon state, USA attacked a salad bar with *Salmonella typhimurium*. The attempt made 751 people contract salmonellosis (Day et al., 2011).

In 1995, the Japanese Aum Shinrikyo sect attacked the subway passengers in Tokyo with sarin gas, bringing into focus that a huge city is very unprotected against terrorist using weapons of mass destruction. The investigation revealed that the members of the sect attempted to diffuse aerosol containing anthrax and botulinum toxin at different times between 1990 and 1995. The financial power of the set can be depicted by the facts that the total turnover of its companies was about \$ 30 million, and it had 5.000 members in Japan and in the states of the former Soviet Union. So it can be stated that a terrorist does not necessarily tinker with biological weapons in a primitive laboratory (Reader, 2000).

3. The definition of bio, agro and food terrorism and their impacts

Bioterrorism is terrorism using biological weapons. Agro-terrorism is bio-terrorism intending the spread of diseases of plant or animal origin, resulting in fear, financial damage, and eventually instability of the society (Cupp et al., 2004). Food-terrorism is bioterrorism contaminating and/or poisoning the human food and water supplies. In a wider sense, it includes the attacks against food, feed and water supply chains (Wieck et al., 2007). It is of fundamental importance that bioterror attacks should not necessarily be implemented, the threat itself is adequate to cause significant damages. As the chance of the different agro-terror attacks increases so do their economic effects.

3.1. Bioterrorism

The possible applications and impacts of bioterror attacks were thoroughly assessed during the cold war. Every evaluation emphasizes the significant destructive effects of the biological weapons (Table 1.). In the most favourable circumstances, a one megaton hydrogen bomb would cause 570,000-1,900,000 casualties, whereas a 100 kg anthrax-spore bomb could cause up to 1-3 million. In less optimal circumstances (windy, sunny weather) the number of casualties would still range between 130,000 and 1,400,000. The effectiveness of chemical weapons is minimal compared to that of biological weapons: 100 kg concentrated sarin gas, even in “optimal” case, would result in “grand total” of 8000 casualties (U.S. Congress, 1993).

Table 1: The efficacy of application of three different mass destruction weapons

Mass destruction weapon	Quantity	Striking range (km²)	Number of casualties (head)
<i>Sarin gas</i>	300 kg	0,22	60-200
<i>Bacillus anthracis</i>	30 kg	10	30,000-100,000
<i>Nuclear bomb</i>	12,5 kT	7,8	23,000-80,000

Source: U.S. Congress 1993.

According to Kaufmann et al. (1997) a *Brucella melitensis* aerosol attack against a town with a population of 100,000 would cause 82,500 morbidity cases and 416 mortality cases. The financial damage of this bioterror attack is estimated to be \$ 478-650 million. According to the WHO (1970) estimations a 50 kg desiccated *Brucella* pathogen aerosol attack against a city of 5 million inhabitants would bring about 150,000 morbidity cases and 600 casualties. Another reason for the

use of biological weapons is the low cost (Prado and Amores, 2010). In case of *Francisella tularensis* aerosol attack against a city, given that 5% mortality rate, would cost \$ 2.86/casualty, but it would decrease to \$ 0.36/casualty with a 40% mortality rate.

3.2. Agro terrorism

The agro-terror attacks against food animal populations have numerous advantages from the attackers' point of view. The most important ones are as follows:

1. Many agricultural farms have large, open pasture-lands that facilitates the easy introduction of the pathogen. The spread of loose housing systems further ease the attacks. Moreover, the agricultural companies try to make their activities more known today, thus, the agro-tourism becomes increasingly popular which further increases the chance of terror attacks (Forbord et al., 2012).
2. In the last decades, a huge concentration of the food animal farms could be observed. For example, in the USA between 1965 and 2007, the number of swine farms decreased from about 1 million to 65,000, but the average herd size increased from 55 to 920 pigs. The geographical concentration of the food animal sector can easily be followed in France: in Brittany, which has about 27,000 km² territory equalling to little bit more than 5% of the European part of France, 42.4% of the French dairy cattle, 72.1% of the French swine and 63.2% of the French waterfowl population can be found (MAPRA, 2011). The high density of the animals gives a higher chance for the contagious diseases to spread fast.
3. As a consequence of the fast development of the transportation and information systems more and more agricultural commodities and products are processed and consumed in other places than that of production. The globalisation of food production can be observed through the case of Chicken Breast A La Kiev in Dublin; the salted butter comes from Ireland, the garlic purée from China or the US or Spain, the lemon from the US, the parsley from France or the UK, the pepper from India, the chicken breast from Ireland or Belgium or the UK, the flour from Belgium or France, and the rape-oil from Australia or Hungary. It can be seen that the ingredients for such a simple meal stem from 10 countries (Ercsey-Ravasz et al., 2012). The live animals, the crops, the semi- and fully processed products can all spread the pathogens of contagious diseases of plant or animal origin.
4. The trade of agricultural products and food is basically a matter of trust. Because of the complexity and public health impacts of these goods, unfavourable rumours can easily ruin their markets which were built over years or decades. For example, the BSE crisis caused € 92 billion loss in the European countries which would have been equal to one-tenth of annual gross income of the cattle sector in 2003 (Cunningham, 2003).
5. It is easier to get access to the pathogens of diseases of animal or plant origin than those of human diseases. Numerous animal diseases are not zoonotic, thus, they do not pose any risks to the agents spreading the disease. Furthermore, because of the longer incubation period of certain diseases the saboteur has enough time to escape.
6. The origin of the outbreaks is often difficult to identify, so the terror attack is not necessarily revealed. The application of exotic pathogens, which are unknown on the targeted areas, can largely prolong the time of identification and the onset of the effective control of the disease. The procurement of the eligible vaccines and the set-up of the needful control measures require much more time.

3.3. Food terrorism

The studies, which were made in the last years, emphasize the global effects of the food terrorism. According to the estimations of Liu and Wein (2008), if the terrorists were able to ingest 1 g

botulinum toxin into the milk supply system in the USA, 50,000 gallon (1 standard American gallon = 3,785 l) milk would get poisoned. In this case, the number of casualties would exceed 100,000.

It is more effective for terrorists to ensure that the toxins produced by the pathogens contaminate the water supplies than the pathogens themselves. According to the WHO (1970), if the water supply system of a town with a population of 50,000 was ingested by 0.24 kg botulinum toxin and every inhabitant's daily water consumption was 0.5 l only, the contamination would cause around 60% mortality of the population within 17.5 hours. In Hungary, every official settlement (altogether 3,152) has a tap water supply system. In 95% of the Hungarian flats, that is, in more than 4.132 million flats, there is running water. The 65,978 km long tap water pipe system with the water reservoirs can easily be attacked (KSH, 2012).

However, the chance of a successful terror attack against the water supply systems is greatly reduced by the regular drinking water treatments, so the purification from the biological agents might be significant. The infrastructure used for the transportation and storage of drinking water can be attacked in a more efficient way, but significant concentration of chlorine can still give sufficient protection. The ozone treatment and nanofiltration, which are more commonly used, can offset the detrimental effects of the chlorine-resistant microbes. The risk is further decreased by the fact that only 5% of the running water goes to human consumption, given that 2 l per head total drinking water consumption daily, that is, 0.73 m³ yearly. Since the total annual tap water consumption in a Hungarian household is 35 m³, and the average family size is 2.5 l per head, the total annual water consumption is 13.94 m³ per head. Furthermore, between the contamination and consumption of water there is a significant time gap that further reduces the health risks of the drinking water consumption.

4. The future development of bioterror weapons

The more advanced biotechnology largely facilitates the invention and creation of bioterror weapons. It can play a significant role in the reinforcement of pathogenicity, virulence, antibiotic resistance of the pathogens, in the enhancement of aerosol spreading of the microbes and toxins and in the construction of new and very destructive living organisms and toxins. The genetic modification can result in new mutants, which are resistant to medications, hardly identifiable, persistent and produce toxins in large amounts. Summarily, the genetic modification and other modern biotechnology procedures can create a new generation of bioterror weapons.

References

1. Blancou, J. and Pearson, J.E. (2002): Bioterrorism and infectious animal diseases. „*Comparative Immunology, microbiology and infectious diseases*”, 26. pp. 431-443.
2. Bronze, M.S., Huycke, M.M., Machado, L.J., et al. (2002): Viral Agents as Biological Weapons and Agents of Bioterrorism. „*The American Journal of the Medical Sciences*”, 323. pp. 316-325.
3. Collins, J. (1983): Soviet military performance in Afghanistan: a preliminary assessment. „*Comparative strategy*”, 14. pp. 147-168.
4. Cunnigham, E.P. (2003): 'After BSE - a future for the European livestock sector', Wageningen Academic Publisher, Wageningen, p. 90.
5. Cupp, O.S., Walker, D.E., Hillson, J. (2004): Agroterrorism in the US: key security challenge for the 21st century. „*Biosecurity and bioterrorism: biodefense strategy, practice and science*” 2. pp. 97-105.

6. Day, J.B., Sharma, D., Nusrat, S. et al. (2011): Survival of Salmonella Typhi and Shigella dysenteriae in Dehydrated Infant Formula. „*Journal of Food Science*”, 76. pp. 324-328.
7. Ercsey-Ravasz, M., Toroczky, Z., Lakner, Z., Baranyi J. (2012): '*Complexity and Vulnerability in the Human Food Web*', Műhelytanulmány, Budapest.
8. Feodov, L.A. (2005): '*Szovejtszkoje biologicseszkiye oruzsije, isztorija ekologija politika. Mezsdunardnoj szocialno-ekologicseszkoj szojuz „Za himicseszkuju bezopasztnosztj*' Moszkva.
9. Forbord, M., Sshermer, M., Griebmair, K. (2012): Stability and variety – products, organization and institutionalization in farm tourism. „*Tourism Management*”, 33. (4) pp. 895-909.
10. Harris, S. (1992): Japanese Biological Warfare Research on Humans: A Case Study of Microbiology and Ethics. „*Annals of the New York Academy of Sciences*”, 666. pp. 21-52.
11. Hopmann, P.T. (2009): 'Negotiation Risk: Controlling Biological Weapons' In: Avenhaus, R., Sjöstedt, G. (eds): '*Negotiated Risks*'. Springer Verlag. Berlin-Heidelberg.
12. Jared, D. (1997): '*Guns, germs and steel: the fates of Human societies*'. W.W. Norton. New York.
13. Kalshoven, F., Zegveld, L. (2001): '*Constraints on the Waging of War. An Introduction to International Humanitarian law*' International Committee of the Red Cross (ICRC), Geneva, 2001. p. 227.
14. Kaufmann, A.F., Meltzer, M.I.P. (1997): The economic impact of a bioterrorist attack: are prevention and postattack intervention programs justifiable? „*Emerging Infectious Diseases*”, 13. pp. 83-94.
15. Khan, A.S., Swerdlow, D.L., Juranek, D.D. (2001): Precautions against biological and chemical terrorism directed at food and water supplies. „*Public Health reports*”, 116. pp. 3-14.
16. Koblenz, G. (2009): '*Living Weapons: Biological Warfare and International Security*' Cornell University Press, Ithaca, NY, p. 272.
17. KSH: '*Közüzemi vezetékes ivóvízellátás*' Available online: http://portal.ksh.hu/pls/ksh/docs/hun/xstadat/xstadat_eves/i_zrk001.html.
18. Lesho, E., Dorsey, D., Bunner, D. (1998): Feces, dead horses, and fleas. Evolution of the hostile use of biological agents. „*Western Journal of Medicine*”, 168. pp. 513-516.
19. Liu, Y., Wein, L.M. (2008): Mathematically Assessing the Consequences of Food Terrorism Scenarios. „*Journal of Food Sciences*”, 73. 346-353.
20. MAPRA 2011, *Recensement Agricole-L'agriculture française en 2010-premiers résultats du recensement agricole*, MAPRA, Paris.
21. Prado, E.A.S., Amores, A.,P. (2010): Historia del agroterrorismo de Estados Unidos de América contra Cuba. „*Revista electrónica de Veterinaria*”, 11. pp. 1-19.
22. Reader, I. (2000): '*Religious Violence in Contemporary Japan: The Case of Aum Shinrikyo*' University of Hawaii Press, Honolulu.
23. Redmond, C., Pearce, M.J., Manchee, R.J. et al. (1998): Deadly relic of the Great war. „*Nature*”, 393. pp. 747-748.

24. Thoumi, F.E. (2010): 'Competitive advantages in the production and trafficking of coca-cocaine and opium-heroin in Afghanistan and the Andean countries' In: Keefer, P., Loayza, N. (eds): '*Innocent Bystanders. Developing Countries and the War on Drugs*' A copublication of Palgrave Macmillan and the World Bank. Washington, DC, pp. 195-253.
25. Torok, T., Tauxe, R.V., Wise, R.P. (1997): A large community outbreak of Salmonella caused by intentional contamination of restaurant salad bars. „*Journal of the American Medical Association*”, 278. pp. 389-395.
26. U.S. Congress (1993): '*Proliferation of Weapons of Mass Destruction: Assessing the Risks*' U.S. Government Printing Office. Washington, D.C.
27. Varkey, P., Poland, G.A., Cockrill, F.R., et al. (2002): Confronting bioterrorism: physicians on the front line. „*Mayo Clinic Proceedings*” 77. pp. 661-672.
28. WHO (1970): '*Health aspects of chemical and biological weapons*' WHO, Geneva.
29. Wieck, C., Rudloff, B., Wahl, T. (2007): The bioterrorism act of the USA and international food trade: evaluation WTO conformity and effects of bilateral import. „*Agrarwirtschaft*”, 56. pp. 147-160.

SURVEYING THE HYGIENIC CONDITIONS OF CANTEENS BY MEANS OF SURFACE MICROBIOLOGICAL ANALYSES

András BITTSÁNSZKY¹, Csaba Bálint ILLÉS², Lajos FÜLÖP¹, András J. TÓTH^{1,2}

¹InDeRe Analytical and Economic Research Institute, Budaörs, Hungary

²Szent István University, Gödöllő, Hungary

E-mail: andras.bittsanszky@indere.hu

Summary: There are significant differences in the standard of canteens catering for schoolchildren. Catering providers have to observe a lot of rules and regulations to maintain and guarantee the hygienic quality of food although certain flaws can occur in the processes. In our research we measured all the aerobic microbes on different kitchen surfaces and from there we concluded the differences between the hygienic standard of kitchens. Altogether 10 different surfaces of 11 different canteens were involved in the survey. To determine the number of all microbes MicroTester equipment was used which detects the multiplication of bacteria through redox potential change.

Keywords: microbiology, school catering, kitchen surfaces

1. Introduction

A greater and greater attention is paid to institutional catering and within it, children's catering. More and more people realise that the quality of the food consumed has a great impact on the health condition of the society. Nowadays it is a typical phenomenon that our children have their main meals outside their homes, which is the school canteen in most cases. The basic expectation is that these institutions must provide safe and quality food, which can be assured by quality standards, first of all (Tóth and Bittsánszky, 2014).

Nowadays the widely accepted and supported detection methods in microbiology are time consuming and it can take days to reach a result. At present food is examined from a microbiological aspect when a problem occurs. Unfortunately, after the incident 3-5 days are required till the result is gained, which, of course, is dangerous and a case for concern. However, rapid examination methods must be used at the end of the food supply chain right before consumption. The introduction of rapid microbiological examination methods into the final quality assurance can detect faulty products and even can point out if a unit does not cater for the proper hygienic conditions during its activities. One of the most suitable methods can be a MICROTTESTER instrument that detects the multiplication of bacteria through their redox potential change (Reichart et al., 2007).

In order to raise the quality of services it is indispensable to determine the microbiological contamination of kitchen surfaces (working desks, plates, utensils).

To ensure the proper food quality standard in school canteens it is necessary to survey potential microbiological risks. The objective of the present study is to examine and evaluate the hygienic conditions of school canteens and their microbiological quality.

2. Materials and methods

2.1 Sample taking

Our survey was carried out in 11 secondary school canteens where food is transported from outside. Sample was taken from 10 different surfaces by using a sterile tampon.

Surfaces:

1. spoon
2. fork
3. knife
4. soup plate
5. dinner plate
6. dessert plate
7. kitchen desk
8. serving utensils
9. catering tray
10. glass

Samples were taken from 100 cm² surface and in the case of spoon, fork and knife measures were added. After sample taking, samples were transported to laboratories where microbiological examinations were started.

2.2 Rapid detection of aerobic colony count (ACC)

In order to determine the total number of germs available on surfaces MICROT_{ESTER} was used on the basis of redox potential change (Reichart et al., 2007). The basics of measuring is that as a result of energy producing biological oxidation reactions, when bacteria multiply, the redox potential of the environment decreases, which is well-detected above a certain microbe concentration. Detecting time (TTD) is the period when the absolute value of the speed of redox potential change exceeds a value significantly different from accidental impacts (e.g. $|dE/dt| \geq 0.5$ mV/min). This value is termed as detection criterion (Reichart et al., 2007).

Redox potential change is independent of the shape and size of the measuring cell and also the composition of the substrate so measuring can be done in any liquid substrate with unlimited numbers of samples. In accordance with this, the MICROT_{ESTER} instrument makes it possible to use standard media applied in standard microbiological processes. The redox curves of different microbe groups also differ, so this method can identify the multiplying microbes for orientation in addition to detecting multiplication (Erdósi et al., 2012).

Measures were taken by inserting the tampons from different surfaces into a measuring cell containing 9 ml liquid and detection time was determined by MICROT_{ESTER}.

2.3 Editing calibration curves

In order to exactly determine the number of germs, calibration curves are necessary to make. To this end, ten-fold diluting series were prepared and the microbial count in each dilution were determined using the standard plating method (in accordance with ISO 4833:2003) together with the TTD value by MICROT_{ESTER}. The calibration curves were edited on the basis of lgN values and TTD-s.

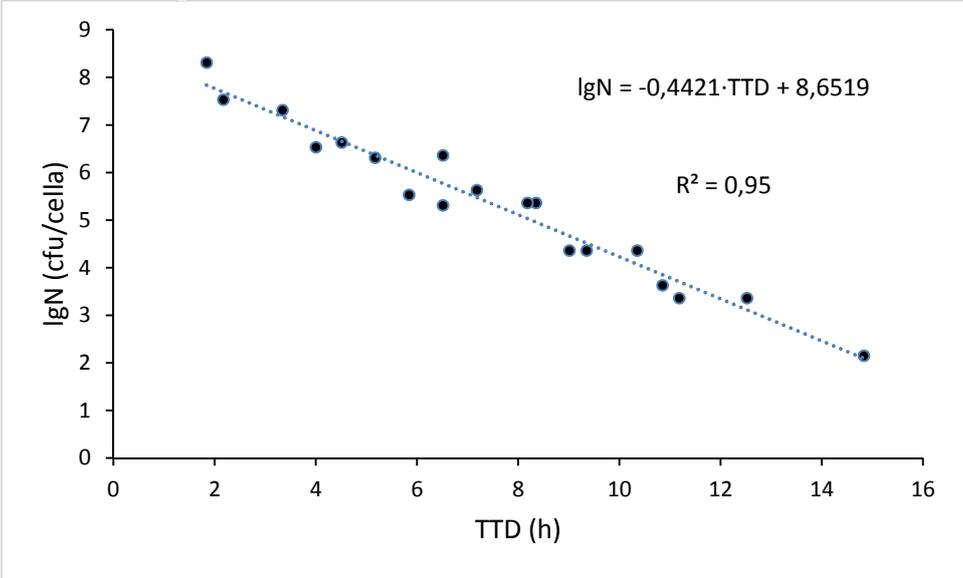
The results gained were analysed by using T-test and variance analysis.

3. Results and discussion

3.1 Determining calibration curves

Calibration curves were determined by the diluting rows of microorganisms from different surfaces taken at different times. Detection criterion in all the cases was 0.4 mV/min. Figure 1 presents the calibration curve.

Figure 1: The calibration curves of different surfaces

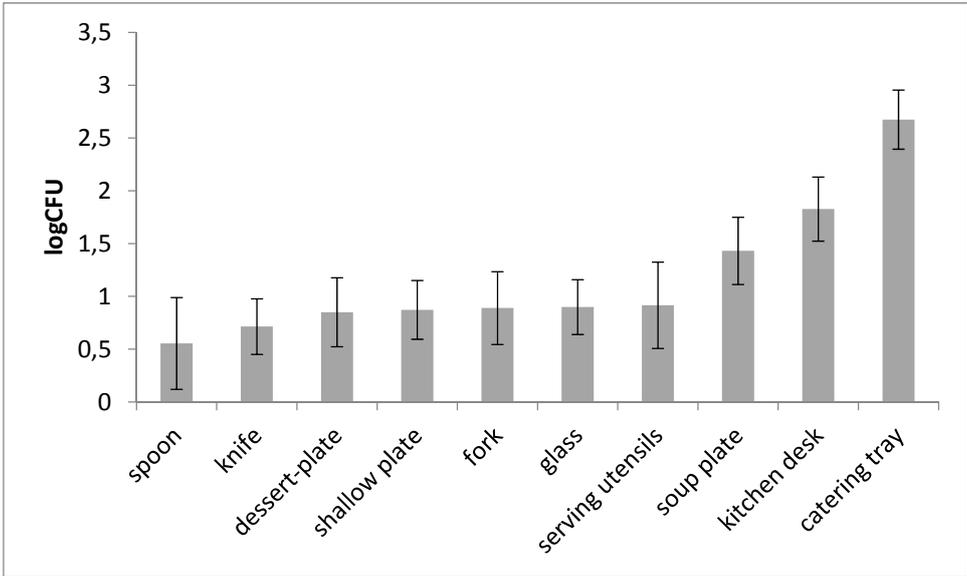


Source: own research results

3.2 The microbiological cleanliness of surfaces

The total microbe number of instruments is presented by Figure 2.

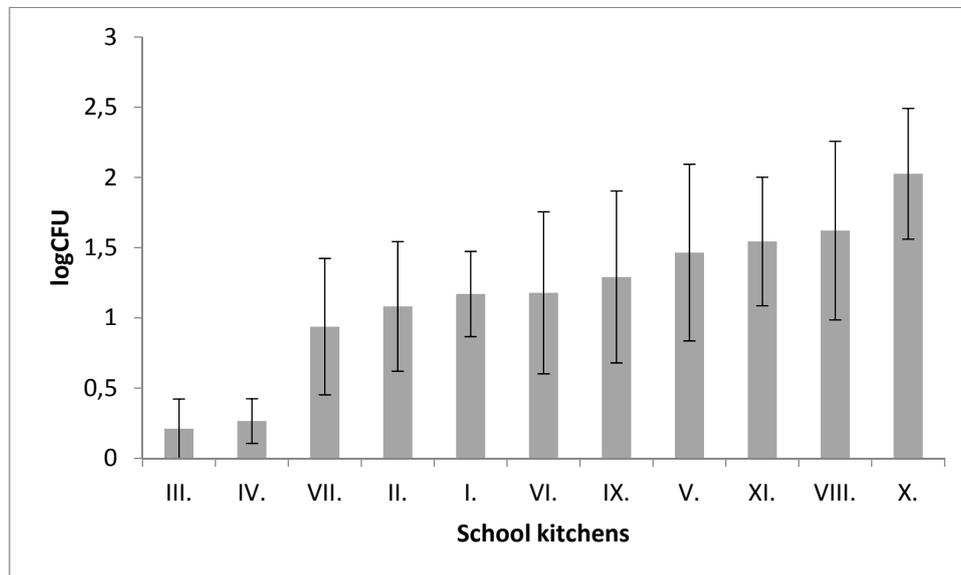
Figure 2: The total number of microbes in school canteens. The unit of surface pollution is cfu/instrument in the case of spoon, knife, fork, serving utensils and glass, in the case of others it cfu/100 cm². Mean ± standard error of mean are indicated (n=11).



Source: own research results

Figure 3 illustrates the differences between schools.

Figure 3: The total number of microbes on utensils and surfaces in different school canteens. Mean \pm standard error of mean are indicated (n=10).



Source: own research results

According to the regulations of Decree 4/1998. (11 November) of the Ministry of Health Care the pollution of surfaces in direct contact with food must not exceed 100 cm² of the surface in direct contact with food while in the case of a smaller surface it can only be 250 cfu per total surface after cleaning and sterilisation.

Kitchens were ranked by microbiological cleanliness on the basis of the results of their surfaces in direct contact with food.

Three groups were classified, which are as follows.

- *Clean*: the logarithm of microbe averages ≤ 2.4 (lg250)
- *Semi-polluted*: the logarithm of microbe averages > 2.4 , but ≤ 3.4 (lg2500)
- *Heavily polluted*: the logarithm of microbe averages > 3.4

Based on the results the following kitchens are include in the groups:

<i>Clean</i>	<i>Semi-polluted</i>	<i>Heavily polluted</i>
I.	XI.	V.
II.		VIII.
III.		IX.
IV.		
VI.		
VII.		

The results of international research have also found great differences between catering units t (Santana et al., 2009; Laranjeiro et al., 2014). However, the reasons for these differences have not been explained so far. The most crucial risk factor in running school canteens is the improper work of colleagues managing food (Tóth & Bittsánszky, 2014).

4. Conclusion

School canteens are the final stations of the food supply chain as from here food is served directly to the consumers, who, in general, consumes it on the spot. In this environment rapid microbiological methods are of vital importance as there is a chance to make the necessary steps immediately if microbiological problems occur.

On the basis of the results of the examination the risk factors of school canteens can be determined that can contribute to the multiplication of bacteria and cross-infections (Yoon et al., 2008). Although the food handlers take part in regular trainings, it can be seen that practice is not proper in many cases. Our research can help highlight the weak points of the currently applied HACCP systems and contribute to raising the present food safety standards in school canteens.

References

1. Erdősi, O. et al. (2012): Application of the redox potential measurement based rapid method in the microbial hygienic control. *Acta Alimentaria*, 41(1), pp.45–55.
2. Laranjeiro, C. et al. (2014): Microbiological parameters of surfaces in school canteens. In *Occupational Safety and Hygiene II - Selected Extended and Revised Contributions from the International Symposium Occupational Safety and Hygiene, SHO 2014*. pp. 355–360.
3. Reichart, O. et al. (2007): Redox potential measurement as a rapid method for microbiological testing and its validation for coliform determination. *International journal of food microbiology*, 114(2), pp.143–8.
4. Santana, N.G. et al. (2009): Microbiological quality and safety of meals served to children and adoption of good manufacturing practices in public school catering in Brazil. *Food Control*, 20(3), pp.255–261.
5. Tóth, A. J. & Bittsánszky, A. (2014): A comparison of hygiene standards of serving and cooking kitchens in schools in Hungary. *Food Control*, 46, pp.520–524.
6. Yoon, Y. et al. (2008): Microbial Assessment in School Foodservices and Recommendations for Food Safety Improvement. *Journal of Food Science*, 73(6), pp.M304–M313.

POLISH LAW REGULATIONS FOR FOOD SAFETY

Anna BAZAN-BULANDA

University of Technology, Częstochowa, Poland

E-mail: annabazan@wp.pl

Summary: The aim of the article is to analyze the Polish and EU regulations on food safety. Food is essential to life of every human, so it is important to its safety. Consumers bear all risks associated with the consumption of the food, that is why regulations are necessary to ensure protection from the consumption of harmful substances. These regulations shall apply to both methods of food production and the placing on the market. The basic legal act regulating this issue is the Act of 25th August 2006 concerns food safety and nutrition, which is the frame work which regulates in a comprehensive manner the conditions necessary to ensure food safety “from farm to a table”. Poland, like all European Union countries, forming the so-called rules apply “Hygiene package” comprising four regulations laying down rules for the hygiene of foodstuffs and the rules of conduct food sector regulatory authorities. Consumer safety not only provide relevant legislation. It is essential to the proper application of the rules.

Keywords: food, security, law regulations.

1. Introduction

The aim of the paper is the analysis of the Polish and EU legal regulations concerning food safety. Food is essential for life of every human being, therefore, its safety is so important. Consumers take the whole risk associated with the consumption of food; therefore, legal regulations providing their safety against the intake of harmful substances are necessary. These regulations must refer to both the ways of manufacturing foodstuffs and introducing them onto the market. However, discussing all these regulations in the paper is not possible. There will be presented the regulations concerning the basic terminology of food law: the concept of food, foodstuff, food supplements. Poland, like all the Member States of the European Union, is obliged to observe the EU legal regulations. The first legal act of the EU food law is the Regulation (EC) No 178/2002 of the European Parliament and the Council of 28 January 2002 laying down the general principles and requirements of food law, appointing the European Food Safety Authority, and laying down the procedures concerning food safety (Dz. Urz. UE L 31 z 1.02.2002) (hereinafter referred to as the General Food Law - GFL). It specifies, in Article 3, section 1, the food law of the European Union; “food law” amounts to statutory, executive and administrative provisions regulating food in general, and their safety in particular, both at the level of the Community and at the national level; this definition includes all the stages of production, processing and distribution of food and feed manufactured for farm animals or used to feed farm animals”. “The stages of production, processing and distribution” amount to every stage from the production of basic food, through its storage, shipment, sale or supply to consumers, and also carriage, production, manufacturing, storage, shipment, sale and supply of feed. As it results from the preamble to the Regulation, free movement of food and feed in the European Union is possible only when the requirements for food and feed safety within the Member States do not significantly differ from each other. Poland, like all the Member States, is obliged to observe the provisions creating, so called, Hygiene Package, including four regulations laying down the principles of

hygiene of foodstuffs and the rules of conduct of the authorities supervising the food sector. These are:

- Regulation (EC) No 852/2004 of the European Parliament and the Council of 29 April 2004 on the hygiene of foodstuffs,
- Regulation (EC) No 853/2004 of the European Parliament and the Council of 29 April 2004 on official controls performed to ensure the verification of compliance with feed and food law, animal health and animal welfare rules,
- Regulation (EC) No 854/2004 of the European Parliament and the Council of 29 April 2004 laying down specific hygiene rules for the hygiene of foodstuffs,
- Regulation (EC) No 854/2004 of the European Parliament and the Council of 29 April 2004 laying down specific rules for the organization of official controls on products of animal origin intended for human consumption.

The basic Polish legal act regulating this issue is the framework Act of 25 August 2006 on food and nutrition safety (hereinafter referred to as AFN), which comprehensively regulates the conditions necessary to ensure food safety “from farm to table”. Section 1 of the Art.1 indicates that the law regulates the requirements and procedures necessary to provide food safety in accordance with the regulations of the European Union and, in section 2, it indicates the EU regulations.

Both GFL and AFN are not applicable to primary production for private domestic use or to the domestic preparation, handling or storage of food for private domestic consumption (Art.1 section 3 of GFL, as well as Art. 2 section 2 of AFN). The Polish law also excludes the application of its provisions to the people individually collecting mushrooms growing in natural conditions (Art. 2 section 2 of GFL).

2. The concept of food

Food is defined differently. Colloquially, the concept of food is understood as food products, food and nourishment. (Polański ed., 2012). “Food can be assigned many functions. The basic one is physiological function, conditioning the existence of a human being and their biological development but satisfying hunger and the pleasure of eating is not less important.” (Czechowski ed., 2011, p.460) It is the basic concept for food law. AFN, in Art.3 section 1, indicates that food (foodstuff) is any substance or product within the meaning of Art. 2 of GFL. Polish provisions refer straight to the EU Resolution, according to which food (foodstuff) “means any substances or products, whether processed, partially processed or unprocessed, intended for human consumption or, whose human consumption may be expected”. On the other hand, foodstuff is: soft drinks, chewing gum and any substances, including water, intentionally added to food during its manufacture, preparation or processing. This definition includes water according to the standards specified in accordance with Art. 6 of Directive 98/83/EC and without prejudice to the requirements of Directives 80/778/EEC and 98/83/EC.

Water, in accordance with EU regulations, should be considered as food from the moment of the water outlet from the source, e.g. water intake facilities, cisterns or from the moment of placing water in bottles or containers. Therefore, water is considered as foodstuff from the moment it can be consumed by the man.

The concept of foodstuff does not include:

- a) „feed;
- b) live animals unless they are to be marketed for human consumption;
- c) plants prior to harvesting;
- d) medicinal products within the meaning of Council Directives 65/65/EEC (1) and 92/73/EEC (2);

- e) cosmetics within the meaning of Council Directive 76/768/EEC (3);
- f) tobacco and tobacco products within the meaning of Council Directive 89/622/EEC (4);
- g) narcotic or psychotropic substances within the meaning of The Only Convention on Narcotic Drugs of 1961 and The Convention on Psychotropic Substances of 1971;
- h) residues and contaminants” (Art. 2 GFL)

The definition of food in the EU law is modeled on Codex Alimentarius. “For the purposes of the Codex Alimentarius, food means any substance, whether processed, semi-processed or raw, which is intended for human consumption, including drink, chewing gum and any substance which has been used in the manufacture, preparation or processing of “food” but does not include cosmetics or tobacco or substance used only as drugs” (Code of Ethics for International Trade in Food, CAC/RCP 20-1979 (Rev.1-1985) and includes definitions of food in the legislation of the Member States. In the British law, according to Food Safety Act of 1990:

(1) In this Act „food” includes:

- (a) drink;
- (b) articles and substances of no nutritional value which are used for human consumption;
- (c) chewing gum and other products of a like nature and use; and
- (d) articles and substances used as ingredients in the preparation of food or anything falling within this subsection.

(2) In this Act “food” does not include:

- (a) live animals or birds, or live fish which are not used for human consumption while they are alive;
- (b) fodder or feeding stuffs for animals, birds or fish;
- (c) controlled drugs within the meaning of the Misuse of Drugs Act 1971; or
- (d) subject to such exceptions as may be specified in an order made by the Secretary of State - (and) medicinal products within the meaning of the Medicines Act 1968 in respect of which product licenses within the meaning of the Act are for the time being in force; or other articles or substances in respect of which such licenses are for the time being in force in pursuance of orders under section 104 or 105 of the Act (the application of Act to other articles and substances).”(Szymecka-Wesołowska, 2013 p.54.)

As it results from the definition of GFL, a potential possibility of consumption of the product by humans is enough to qualify it as foodstuff and include in the food law regulations. In cases where the specific substance may be used for both human consumption and other industrial purposes, it must meet the conditions required for foodstuffs until proven that is not suitable for human consumption.

3. Food supplement

There are also food supplements available on the market. They are not food but they are consumed by people. Therefore, the EU and Polish law include their definition. Food supplement is foodstuff being the supplement of a regular diet. A regular diet is a balanced and varied diet. “An adequate and varied diet could, under normal circumstances, provide all nutrients necessary for proper development and maintenance of healthy lifestyle in quantities meeting the standards established and recommended by generally accepted scientific data” (item 3 of the preamble of the Directive 2002/46/EC). Food supplement, in accordance with the Polish and EU provisions, is intended only to complement a regular diet.

In accordance with Art. 3 section 3 item 39 of GFL, food supplement is foodstuff which is: the supplement of a regular diet; concentrated source of vitamins, minerals or other substances, single or complex, indicating nourishing or another physiological effect; placed on the market in the form that allows dosage, in the form of: capsules, tablets, pills and other similar forms, sachets of powder, ampoules of liquid, drop dispensing bottles and other similar forms of liquids or powders intended to be consumed in small, measured amounts of units. Lack of fulfillment of any of the above criteria brings about that the substance cannot be considered as food supplement. The supplement may not have the properties of a medicinal product within the meaning of pharmaceutical legislation. In accordance with Art. 2 item 32 of pharmaceutical legislation, a medicinal product is “any substance or combination of substances presented as having properties for preventing or treating disease in human beings or animals or administered with a view to making a medical diagnosis or to restoring, correcting or modifying physiological functions in humans by exerting pharmacological, immunological or metabolic action”. On the other hand, Art. 1 item 2 of the Directive 2001/83/EC indicates that a medicinal product is: a) any substance or combination of substances presented as having properties for treating or preventing disease in human beings; or b) any substance or combination of substance which may be used in or administered to human beings with a view to restoring, correcting or modifying physiological functions by exerting a pharmacological, immunological or metabolic action, or to making a medical diagnosis.”

The provisions settle how to classify the supplement which, at the same time, fulfills the criteria of a medicinal product. In such a case, it is referred to as a medicinal product.

4. Conclusions

Consumer safety is provided not only by appropriate legal regulations. The provisions of both the EU and Polish law concerning food safety are rather extensive. They, among others, regulate the issues of food labeling, authorized food additives used in its production, the food coming from genetically modified products or organic food. It is necessary to apply these provisions correctly to make them fulfill their role and secure consumers against the consumption of food posing a threat to human life and health. First of all, it should be established if, in the specific case, we deal with foodstuff or food supplement. Therefore, in the paper, there are presented only the definitions without the knowledge of which one cannot discuss the application of the rules of food law. The other issues ought to be the subject of further considerations.

References

1. Czechowski P. ed.(2011): Prawo rolne (Agricultural law) LexisNexis, Warszawa
2. Połański E. ed. (2012) : Wielki słownik języka polskiego, Krakowskie Wydawnictwo Naukowe, Kraków
3. Szymecka-Wesołowska A. ed.(2013): Bezpieczeństwo żywności i żywienia. Komentarz LEX a Wolter Kluwer business, Warszawa
4. EC Regulations No 852/2004, No 882/2004, No 853/2004, No 854/2004

EXAMINATION OF PLATE WASTE IN SCHOOL CATERING

Zoltán TÚRÓCZI¹, András BITTSÁNSZKY¹, Lajos FÜLÖP¹,
Anna DUNAY², András J. TÓTH^{1,2}

¹*InDeRe Analytical and Economic Research Institute, Budaörs, Hungary*

²*Szent István University, Gödöllő, Hungary*

E-mail: andras.bittsanszky@indere.hu

Summary: In catering for children and examining the quality of school catering the amount of food waste is a decisive factor. Regulating the necessary daily intake of nutrients can only be successful if it is consumed by children. The analysis of food waste can serve qualitative and quantitative information on efficient and economical catering at schools. In our research 664 lunch portions of school children at 15 serving kitchens of secondary schools were analysed together with the plate waste. According to the results, 46% of total transported food become food waste, 81% are served and its 33% will also be thrown away. Regarding the leftover, 46% of it was soup, 23% of it was protein, 40% carbohydrate and 17% vegetables. The average 919 KCAL value of the daily menu comply with the rules. Conclusions can be drawn from the quantity of food to the quality of service performed by the suppliers, the food preferences of children, the quantity of nutrients taken into their body, which, together can serve as the basis for strategies to enhance the efficiency of catering.

Keywords

plate waste, food waste, school meals, school canteens, weighting

1. Introduction

In accordance with the European trend, more and more children have their meals in the canteen, so all the questions of food safety, nutrition biology and regulation that have something to do with children have come into the limelight (Tóth – Bittsánszky, 2014). The role played by plate waste is also becoming greater and greater as leftovers are taken into account when planning menus. Considering waste can also help in matching food, setting the daily recommended nutrients and also preparing educational materials in this topic. Plate waste can also refer to the efficiency of the catering service, consumers' preference and the appropriateness of nutrients (Martins et al., 2014). It was also pointed out in earlier researches that the high ratio of plate waste can be disregarding students' preferences and lack of accepting the menu. In judging the general quality of the service the senses and the temperature of food play the greatest role (Marlette et al., 2005). When surveying canteen leftover, it should also be considered that parents pay the whole sum in any case even if their children do not even have a look at the food. However, when children eat well in canteens and it is not necessary to spend money on other things, then households can calculate with less extra expenses on food (Cohen et al., 2013).

According to the international efforts in school catering reduced salt intake is a must, the use of wholegrain cereals and high fibre-content food is stressed while food and drink with rich calorie, salt and sugar content must be curbed. A general problem is that although meals contain the necessary nutrients, if children dislike or will not eat them, then all is in vain and the efficiency of catering can be questioned. The main problem is that regulations on nutrient intake say what should be put on the table but if it is not delicious for children, the result, in many cases, can be contra productive. Ensuring the necessary nutrients for all the children at

schools is a priority not to mention poorer children in a disadvantaged situation as for them, lunch mostly covers half of the daily recommended amount and there are fewer substitutes to make up for the loss. Social network is the basis for favourable, discounted catering options but its accessibility is also the responsibility of teachers at schools. In Hungary 20% of secondary students are in a disadvantaged situation who can have a 50% reduction in school catering and 5% more are severely disadvantaged who can get this service free of charge (KSH, 2013). Despite this fact, generally only 15% of secondary students have meals at school.

According to Food and Agriculture Organization 1.3 billion tonnes of plate waste are produced annually all over the world, which is one-third of all the manufactured amount. In poorer countries the bulk of the waste is generated at the beginning of the chain while the case is opposite for the developed countries. Researchers concluded that after households it is the food service industry that produces most food waste and called attention to the fact that two-thirds of it could be avoided. According to Betz et al. (2014) eating out can be divided into three parts: commercial, non-commercial and other. The non-commercial part includes school canteens, catering services at work, institutionalised catering and catering at healthcare institutions. In their opinion, households generate the most plate waste.

2. Material and methods

Our survey was carried out at 15 secondary school canteens where 664 trays of plate waste were analysed. The research was carried out by food industry experts who were present from the transportation of food to the kitchen to the end of the consumption period on the spot. Every occasion a checklist was filled in about the data of the school and the menu, the number of consumers, the quantity of served food, returned food and unserved quantities. The kilocalorie (KCAL) values of the served and returned quantities were calculated on the basis of nutrition calculations made by the kitchen. Schools only served and did not cook food, so when measuring storage and prepare waste could not be determined so only serve waste and leftovers were analysed (Betz et al., 2014). Unserved food counted as serve waste. Of the four different measuring methods (weight, visual estimates, digital photo and children's memory of consumed food) of plate waste analyses (Martins et al., 2014) we used weight as a markedly time consuming and labour intensive method as we found it the most reliable. Measuring is the most effective with it as data can be produced in different ways. Food was divided into categories: soup, protein, carbohydrate and vegetable (Marlette et al., 2005).

3. Results and discussion

The daily menu generally complied with the regulation. The average KCAL value of the menus was 919 (581-1336) in the 15 canteens. The daily energy content between 700 and 900 KCAL by law was proper in 6 cases, in 3 cases it was lower and in 6 further cases higher than expected mostly due to fat and sugar (Marlette et al., 2005). 81% of the manufactured quantity were served so the proportion of the children is very high (19%) who just ordered but did not consume food. The returned food was 33% of the served one so in general one-third of the menu were thrown away. A total of 46% of manufactured (ordered and paid) food were waste (Table 1).

Table 1: KCAL value of the quantity of food waste (15 kitchens, 814 portions)

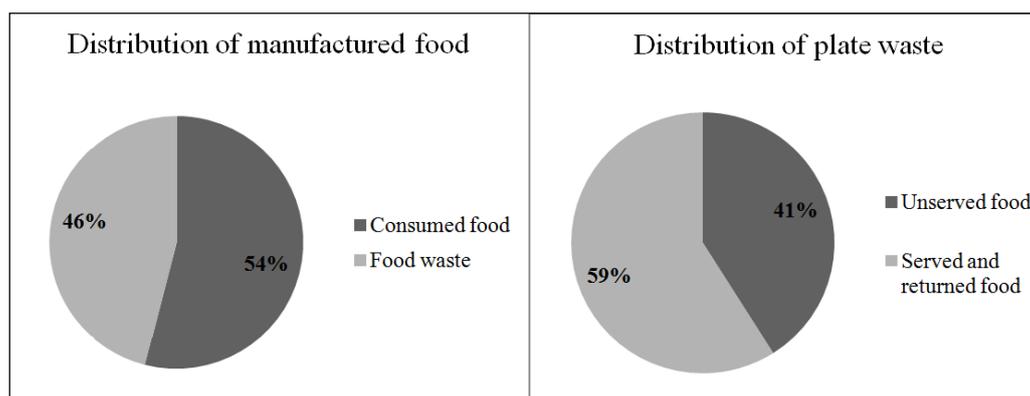
Name	Quantity (KCAL)	Quantity (in % of manufactured)
Manufactured quantity	729 916	100%
Served quantity	592 132	81%
Consumed quantity	394 457	54%
Returned quantity	197 675	33%*
Unserved quantity	137 784	19%
Total leftover	335 459	46%

* in percentage of served quantity

Source: own research results

The distribution of manufactured food and plate waste is illustrated on Figure 1. As it may be seen, more than the half of manufactured food is served and consumed, while 46% is food waste. 59% of total waste consisted of served (and returned) food while unserved food comprised 41% (Figure 1).

Figure 1: Distribution of manufactured food and plate waste



Source: own research results

When examining the served food per category we can conclude that 46% of soup, 23% of protein, 40% of carbohydrate and 17% of vegetables served were not consumed. In the case of served menus 67% of the necessary calories were taken in, which is 16% better than in the survey of Cohen et al. (2013).

Most plate waste included soup and garnish (carbohydrates) and vegetables per category. However, the proportion of vegetables in menus was strikingly low.

The average values of the analysis in SPSS are included in Table 2.

Table 2: Means of plate waste (95% Confidence Interval of the Difference)

	Mean	Lower	Upper	Sig.
Ordered portions	54.27	37.85	70.68	.000
Number of consumers	44.27	31.04	57.49	.000
KCAL value/portion of daily menus	918.73	789.38	1048.08	.000
KCAL value of manufactured food	48661.13	34230.54	63091.73	.000
KCAL value of served food	39475.47	28232.09	50718.84	.000
KCAL value of returned food	13481.07	9415.22	17546.91	.000

Source: own research results

4. Conclusion

The reasons for plate waste are that too big portions are served, the children do not like one of the components or they have problems with one of the senses (taste, texture, temperature) (Betz et al., 2014). The quantity of unserved food is strikingly high (19%), which can be due to improper organisation of catering. and also lack of cancellations. Considering the attitudes of serving staff and the flexibility of organising school catering attention must be paid on the quality of staff: more attractive menus should be created and meals should preserve their pleasure values both while being cooked and served. (Cohen et al., 2013).

In the future steps of our research, we would like to explore, what are the main factors which may influence the attractiveness of the served food, what managerial tasks shall be taken to improve the present situation.

The question is very important, as the children's nutrition influences significantly their future life and adulthood, which may have severe economic and social impacts in the future.

References

1. Betz, A. et al., 2015. Food waste in the Swiss food service industry - Magnitude and potential for reduction. *Waste management (New York, N.Y.)*, 35, pp.218–26.
2. Cohen, J.F.W. et al., 2013. School Lunch Waste among Middle School Students. 44(2), pp.114–121.
3. KSH, időszaki jelentés: Óvodától a munkahelyig, Központi Statisztikai Hivatal, 2013. június, http://www.ksh.hu/docs/hun/xftp/idoszaki/pdf/ovoda_mhely11.pdf
4. Liz Martins, M. & Rocha, A., 2014. Evaluation of prerequisite programs implementation at schools foodservice. *Food Control*, 39, pp.30–33.
5. Marlette, M. a, Templeton, S.B. & Panemangalore, M., 2005. Food type, food preparation, and competitive food purchases impact school lunch plate waste by sixth-grade students. *Journal of the American Dietetic Association*, 105(11), pp.1779–82.
6. Tóth, A. J. & Bittsánszky, A., 2014. A comparison of hygiene standards of serving and cooking kitchens in schools in Hungary. *Food Control*, 46, pp.520–524.

THE MARKETING VALUE OF SUSTAINABILITY IN THE CASE OF RESTAURANTS

Maria BAKOSNÉ BÖRÖCZ, Boglárka HERCZEG

Szent István University, Faculty of Economics and Social Sciences, Institute of Regional Economics and Rural Development, Gödöllő, Hungary,

E-mail: Borocz.Maria@gtk.szie.hu

Summary: In our study, we evaluated sustainability as a marketing tool via the Sustainable Restaurant qualification. When we speak of sustainability, wide arrays of definitions come to mind, usually something like development which does not endanger the process of satisfying the future generations' demands. In our research, we evaluated how sustainability comes up regarding eating habits, which also make a restaurant sustainable. This is an exceptionally important question, because the appearance of the process in eating habits can be one way to measure transition to sustainability. In this research, we wanted to see what prerequisite a restaurant has to adhere to, which makes sustainability become a possibility.

Keywords: sustainability, sustainable restaurant, marketing, low-carbon, sustainable food

1. Introduction

When we began the research, we overviewed the question of sustainability, which has a wide array of sources. In this research, we used various definitions of sustainability, which complement each other, meaning we did not use a set definition. In Ribizsár's (2012) article, the definition of sustainability was researched from various perspectives, which states that in „neo-classical economy (and other fields of science), sustainability has the requirement of various factors in the system for its continued existence and operations”. If we view the definition of sustainability as ecological economists see it, „a system can be called sustainable if it reaches, or outgrows its own life expectancy”. According to Laki's (2000) definition, „sustainability itself should not be viewed as a static state, since sustaining a state of the system means the preserving of both growth and development capacities.” Morelli (2011) defines environmental sustainability as such: The initiatives – by striving for environmental sustainability as a normative objective of their activities – should make a contribution to a situation of “balance, resilience, and interconnectedness that allows human society to satisfy its needs while neither exceeding the capacity of its supporting ecosystems to continue to regenerate the services necessary to meet those needs, nor by our actions diminishing biological diversity.

Járási defines sustainable development in his thesis as follows: „sustainable development is a ‘meta-expression’, which unifies profit-orientated industrialist, farmers producing for self-use, minimising costs, and social employees striving for equality, nature-loving citizens of western nations worried about environmental hazards, decision-makers wishing for the maximisation of growth, goal-orientated government workers, and – as a natural consequence – vote-counting politicians” (Lele, 1991).

If we evaluate all definitions above, seeing sustainability from both an environmental and economic point, we think that a system can be called sustainable if it is low-carbon, meaning „minimal input of material and energy results in minimal greenhouse gas emission output” (Fogarassy, 2012; Böröcz and Fogarassy, 2011). Szarka et al. (2014) defines the parameter-system of sustainability as such: one of the most important things is the change in marketing,

consumer behaviour, attitude - and value system. This means that there's an important factor of the corporate marketing which we can't ignore: environmental awareness is becoming more mainstream in consumer behaviour. At the same time, additional elements of the marketing environment wield influence on behaviour and habits of corporations and consumers. As for the corporations, they have to abide by laws and regulations, not only because fees and fines affect profit, but also because the impact of green organisations and (tabloid) media became a force which can no longer be ignored. The environment-friendliness of developed western citizens is growing by the minute, but domestic research shows that most Hungarian consumers do not seem environmentally friendly during purchases.

Furthermore with environment -friendly food processing, and food consuming we can fulfil the criteria of the low carbon society (Lukacs et al., 2009). The hypotheses of our research were that interest in sustainable service is growing in restaurants, and these establishments can use the qualification to approach a certain group of consumers, who are sensitive to a culture change in their eating habits towards sustainability.

2. Materials and methods

We did a structured interview with a member of Felelős Gasztrohós (lit.: Heroes of Responsible Dining) for our research, by which we wished to evaluate how the establishment of customers' choice is influenced by the Sustainable Restaurant qualification.

Methodologically, structured interview is the most formal member of the possible variations of interview techniques. In case of these interviews, editing is done to allow re-use of data via repeated use. Structured interviews are used in standard surveying and opinion polls, since information can be quantified, and the answers of various questions compared, and the main topics of market surveys properly covered easily (Lehota, 2001).

We chose this method for our research, because we wanted to get answers to our questions regarding the operation and requirements of a sustainable restaurant chain. We chose the procession of a secondary database as our other method, for which we received data from Felelős Gasztrohós. We decided the evaluation of consumers' and restaurants' ideas on sustainability to be a further research goal, for which this research acts as a basis.

3. Discussion and Results

The qualification of a Sustainable Restaurant, and its system was designed by Felelős Gasztrohós and the Ecological Evolution Foundation. The goal of the initiative is to advertise responsible eating culture in Hungary, and make it more popular. This is done via backing the consumption of local and seasonal foodstuffs, and decreasing the consumption of dishes which have a larger environmental load. To reach these goals, they offer aid to responsible restaurants in making changes to be more environmentally friendly. Among their ethics are environment protection, transparent, responsible and accountable operations, rational use of resources at hand, ethical behaviour, and cooperation with national green organisations and for-profit organisations which don't contradict these ethics. The team of Felelős Gasztrohós understands - due to their experience in recent years - the problems a manager or owner faces, when they decide to „make their shop green”. To offer aid, they assembled a guide named „20 steps to sustainable restaurant”. But why would an establishment want to receive the Sustainable Restaurant qualification? Because it means approval, they help managers and owners in their venture to protect the environment and „making their shop green”. This also means that they can create a marketing which allows them to reach new customers. Restaurants which are eligible, and win the Sustainable Restaurant qualification, are offered the chance to appear at festivals, conferences, and other events, and are featured on Hungarian

and foreign pages and blogs. This helps the restaurant to gain popularity and works as a role model and motivation for future and existing Sustainable Restaurants alike. The colleagues of Felelős Gasztrohós have an ongoing connection to restaurants who were awarded the qualification, by which they offer aid in environmental protection problems, general consultation, and sustainability courses. Joining the network is easy due to the online application, and the members are recommended to events and corporations looking for „green”, environmentally friendly locations and catering services. Member restaurants have to pay an evaluation fee, which is different for each - as much as they can handle - and ranges from 5 to 10.000 HUF. Currently, the network has 24 members in Budapest.

During the evaluation of the interview and literature, we arrived at the conclusion that the qualification may mean an important marketing opportunity for restaurants. To become a member of the sustainable restaurants, establishments which are devoted to sustainability can apply to the team of Felelős Gasztrohós online, to request the Sustainable Restaurant qualification. To actually get the qualification itself, the restaurant has to clear various criteria, if the requirement system is applicable to them. This wide system of parameters assures the adherence to sustainability. According to our research, the following main criteria are applied to evaluating restaurants:

1. *Supply and acquisition*: One of the most important factors is the minimising of „foodstuff-miles”, which means the product should be transported from the producer to the consumers via the shortest route possible. This shows mostly as the preference for local and seasonal foodstuffs, which lessens the ecological footprint of the product. By buying local foodstuffs, we also aid local economy; we can attain trustworthy information about our product, and also avoid the middle of the trade chain. Therefore, for a restaurant to earn the Sustainable Restaurant qualification, they have to shift to buying materials from local sources. The system also covers if the preference of bio-materials is more efficient, since bio-food has less hazardous material in it, meaning it contributes greatly to environmental protection as well.
2. *Waste management*: According to Western-European research, an average restaurant customer generates 0,5 kg of waste (Felelős Gasztrohós, 2015). This amount includes not only the table napkin and leftovers, but various cooking leftovers, like used oil, wrappings, remains of peeling vegetables, and removed parts of meat as well. Managing the waste of restaurants is possible in two ways: selective waste collection, and trying to reduce the amount to begin with. Said reduction is possible for restaurants in various ways, which makes it twice-profitable. On the one hand, because the costs of leftovers not consumed by the customer are spared (remains of peeling, and cut-off parts of meat, etc.), and on the other hand, no additional costs will surface due to destroying said waste. If a restaurant begins a waste reduction programme, effectiveness increases, costs decrease, and making the dishes become more environmentally friendly. Apart from this, the management makes the employees of the restaurant also becomes more environmentally aware and responsible, which may reduce labour fluctuation. Naturally, the most prominent benefit is the satisfaction of customers.
3. *Hygiene*: Hygiene is an extremely important thing to consider for a restaurant. Sadly, the most widespread cleaning solvents in Hungary have chlorine, ammonium and other hazardous materials in them. These, even if they abide by requirements, disregard both the environment and its contamination long-term. Fortunately, there are natural cleaning solvents, which preserve the environment, and also abide by hygiene requirements. However, another thing to consider is that these have a slower effect, and therefore require attention and carefulness when used.
4. *Energy-efficiency*: Creating and storing dishes uses up a lot of energy. According to the research of the Catering Technology Centre, if these systems would be changed to more

energy-efficient ones, up to 80% of the costs could be spared. Restaurants which choose their machinery carefully can cut costs by up to 30% (Felelős Gasztróhős, 2015). The energy requirement of restaurants by square meter can be up to five times as much as other service establishments, like an office, or a trade establishment. During evaluation, they regard investments into renewable energy sources highly, but this is not a requirement due to high initial cost, and long time for returns. They primarily evaluate the steps the restaurant takes to lower energy requirement, as much as they can.

5. *Efficient water usage*: One of the least bountiful resources of the world is freshwater. Currently, we do not feel the effects of this truth on ourselves, but we must not forget that our national water reserves are diminishing each year, apparent in the water yield of rivers. This is why we cannot discard the importance of this resource either (Fogarassy-Neubauer, 2011). We can divide restaurants into three categories by their water usage. The most importance must be put on water used during cooking dishes and cleaning cookware. Though it is dependent on the restaurant's business, we cannot disregard the water spent when they use the facilities. The third is water used for cleaning after business hours. Due to how specific the dishes are, the survey focuses on dishwashing, solutions which reduce water usage at the facilities, and cleaning techniques. If we pay a little attention, we can stop the waste of leaking taps and continuously flushing toilets. These are basic requirements for restaurants which apply, as are taps with either sensors or adjusters.

All in all, our research supported our hypothesis that the number of restaurants which consider both sustainability and profitability to be priorities is on the rise, and that these restaurants contribute to abiding by the criteria of sustainable development via the qualification, which offers them further advantages on the market. The numbers of the network are also on the rise, which shows that consumers have a demand for sustainable restaurants, since if there are more of them, that shows how the market is expanding in that area. We also came to the conclusion that further research is required into the sustainable restaurant network from the consumers' viewpoint as well, to make the evaluation of the sustainable restaurants' parameter system more complex.

4. Conclusions

During our research, we reached the conclusion that the Sustainable Restaurant qualification offers social advantages to restaurants, apart from the apparent economic advantages. The economic and social responsibility of restaurants is an important factor for those who apply for the qualification. Further important things to consider are: do the organisations take the values and interests of the environment and society into consideration, do they take the effects of their operations on business partners, trade partners and employees into considerations, and if they make decisions and take volunteer steps beyond abiding by their legal responsibilities. The responsible operation includes equal treatment, and knowing how they affect individuals and groups who come into contact with the restaurant. When dealing with those who are related to the restaurant, they have to consider not only customers and employees, but business partners and the local neighbourhood as well. Sustainable restaurants and events offer numerous opportunities to cut back on costs, and reaching new customers by becoming more distinct from other restaurants or events. This goal can be reached by handling sustainability as a priority. A further important marketing opportunity is that they take an active role in knowledge distribution. This means that if a restaurant acquires the qualification, they spread and advertise environmentally friendly lifestyle. This also includes taking a social role. All in all, we can say that the Sustainable Restaurant qualification can

contribute to the positive image of a restaurant, which makes sustainability a marketing tool with an actual effect for them.

References

6. Böröcz, M. - Fogarassy, C. (2011) A hazai húsmarha tartás környezeti értékelése és externáliáinak vizsgálata benchmarking módszerrel. Budapest, *Gazdálkodás* 55. évf. 2. szám p. 181-186.
http://ageconsearch.umn.edu/bitstream/119900/2/Bakos_Fogarassy_Gazdalkodas%202011_02.pdf
7. Felelős Gasztrohős (2015) Mik a Fenntartható Étterem minősítés előnyei?
<http://gasztrohos.hu/fenntarthato-etterem-minosites/>
8. Fogarassy, Cs. – Neubauer, E. (2011) Vízgazdaságtan, avagy a vízlábnyom mérése és gazdasági összefüggései, In.: *Sebezhetőség és adaptáció*, Bp. MTA Szociológiai Intézet, 2011, p. 215-216
https://jak.ppke.hu/uploads/articles/11851/file/Sebezhet%C5%91s%C3%A9g_teljes%20k%C3%B6tet.pdf
9. Fogarassy, Cs. (2012) *Karbongazdaság (low-carbon economy)*. Monográfia. L'Harmattan Kiadó, Budapest, 2012, ISBN: 978-963-236-541-1 p. 12-13
10. Laki G. (2006) A mezőgazdaság fenntarthatóságának és mérési lehetőségeinek vizsgálata Doktori (PhD.) értekezés, Gödöllő, 123 p. 33 pp. in Járasi Éva Zsuzsanna (2009): *Az ökológiai gazdálkodás növekedésének ökonómiai feltételei és lehetőségei az Európai Unióban*. Doktori (PhD) értekezés, Gödöllő, 151p. 15 pp.
11. Lehota J. (2001) *Marketingkutató az agrárgazdaságban*. Mezőgazda Kiadó, <http://www.tankonyvtar.hu/hu/tartalom/tkt/marketingkutatas/ch02s06.html>
12. Lele S. (1991) Sustainable Development: a critical review. *World Develop.*, 19 (6) 607-621 In: Pataki Gy. – Takács-Sánta A. (szerk.) *Természet és gazdaság, Ökológiai közgazdaságtan szöveggyűjtemény*. Budapest Typotex Kiadó 2004. 557 p. 279-280 p. in: Járasi Éva Zsuzsanna (2009): *Az ökológiai gazdálkodás növekedésének ökonómiai feltételei és lehetőségei az Európai Unióban*. Doktori (PhD) értekezés, Gödöllő, 151p. 13 pp.
13. Lukács, A. - Fogarassy, Cs. – Borocz, M. (2009) Carbon management in the agricultural production and consumption: Foodstuff production vs. nonfood agricultural production utilisation. In: *Delhi Business Review – An International Journal of Society for Human Transformation & Research*. Vol. 10, No.2, July-December, 2009 Paper 18. p. 105. <http://www.delhibusinessreview.org/abstracts.pdf>
14. Morelli, John (2011): Environmental Sustainability: A definition for environmental professionals. *Journal of environmental Sustainability*. Vol. 1, 2011
15. Ribizsár István (2012): A fenntartható fejlődés közgazdaságtani értelmezése. in: Lukovics M. - Udvari B. (szerk.) 2012: *A TDK világa*. Szegedi Tudományegyetem Gazdaságtudományi Kar, Szeged, 107-119 pp.
16. Szarka et al. (2014): Az 50+ generáció fenntarthatósággal kapcsolatos félelmei, *Journal of Central European Green Innovation* 2 (4) pp. 129-151

CONSUMER BEHAVIOUR AT THE IMPULSE PRODUCT WITH PRODUCT DEFECT

*Adrienn HEGYI¹, Tünde KUTI¹, Zsófia KERTÉSZ¹, András SEBŐK¹,
Sara DE PELSMAEKER², Xavier GELLYNCK²; József LEHOTA³*

¹ *Campden BRI Hungary, Budapest, Hungary*

² *Ghent University, Ghent, Belgium*

³ *Szent István University, Gödöllő, Hungary*

E-mail: a.hegyi@campdenkht.com

Summary: The aim of the research was to understand and describe the praline consumption behaviour and effect of the product defect, blooming on the behaviour by using Theory of Planned Behaviour model in Hungary.

The extended TPB model was used in the experiment. The whole experiment on extended Theory of Planned Behaviour model was also used in Belgium led by University of Ghent. The TPB model was extended with a new contrast as desire and the impact of negative experience on consumer behaviour was also examined via tasting session (N: 120). Totally 400 consumers were involved in the survey.

The instruction from Ajzen was followed in the evaluation. As a part of it the regression analysis was used to define the main factors having impact on the behaviour of the consumers. Based on the results we could conclude that the factor desire was influencing the behaviour together with behaviour intention. A positive desire to eat pralines pushed the consumer to actually eat pralines. The explanation of the variances increased when introducing the desire factor.

Results also showed that however, the attitude effected greatly the Hungarian consumers, especially after a negative experience (e.g. eating pralines with product defect), the influence of the perceived behaviour control was stronger than the attitude or subjective norm and the effect of desire decreased.

Key words: consumer behaviour, desire, impulse products

1. Introduction

Chocolate is the most craved food in the world and has long been thought of as a pleasurable, hedonistic comfort food (Hill, et al.1991; Rodin et al. 1991; Rozin, Levin, & Stoess, 1991).

Generally chocolate and filled chocolate are known for the arousal of sensory pleasure due to the specific melting behaviour, aroma and taste (Januszewska-Viaene, 2002; Mela, 2000; Parker et al., 2006; Pelsmaecker et al., 2014). Several authors indicate that the popularity of chocolate is closely related to the emotions it evokes with the consumer (Macht-Dettmer, 2006; Parker et al., 2006). Researchers have tried to define the negative emotion related to chocolate and the factor was named guilty (Fletcher et al. 2007; Frijters, 1993). Gaining weight and absence of self-control, negative effect on skin were proven to be beliefs triggering the guilty feeling (Dean et al., 2008; Lawless-Claassen, 1993).

However, the result is that the craving will eventually overwhelm the craver until the person experiences a breakdown of their efforts to diet in order to manage or lose weight (Cartwright et al., 2007). Such breakdowns have been shown to lead to an eating binge in which the person has eaten much more chocolate than desired (Gendall et al., 1997).

The aspects which have an influence on the consumers' behaviour is recently aimed to be investigated (Ajzen, 1991).

In one approach, the consumer behaviour refers to the selection, purchase and consumption of food for the satisfaction of their wants. Rossi et al., 2005 stated that initially the consumers try to find and select only those products which promise greater utility. After selection, the consumers estimate the available amount of money which they can spend. Lastly, the consumer analyses the prevailing prices of the products and taking the decision. Another point of view, not only the utility and the price of the product influence the consumers, but social, personal and cultural aspects as well.

The TPB (Ajzen, 1991) is applied to investigate the cognitive influences by which the rational behaviour of consumers is for prediction. Januszewska-Viaene (2001) and Osman-Sobal (2006) studied the consumers' behaviours towards chocolate eating with Polish and Belgian consumers and Spanish and American ones. The chocolate craving was significantly different between Spanish and American consumers. Based on this studies we can conclude that different population have different behaviours towards eating chocolate as impulse product. The evaluation of the product defects is a very complex problem, because the presence of the product defects in terms of quantity and qualitative aspects is well defined in the various legal requirements, but the consumers' opinions; understandings and behaviours on product with defects are slightly investigated in the different researches.

The fat bloom and cracking are common problems in pralines leading to significant reduction of shelf-life and rejection of the products by consumers. It is a physical defect that is characterized as a whitish layer on the outer surface (Tisoncik, 2013). It is estimated that 143 000 ton chocolate is affected by quality problems like fat bloom and cracks, which costs the European chocolate industry up to EUR 1.2 million a year (ProPraline, 2011).

Based on the literature review including the different cognitive models the models of Ajzen and Fishbein (1980) was used to investigate the consumers' behaviour aspects in our survey.

The primary objective of this research is to investigate consumer behaviour towards filled chocolate consumption in Belgium and Hungary using the extended theory of planned behaviour (TPB) as a conceptual framework, including the emotional factor, desire.

The second objective of our trial in Hungary was to examine the negative experience on the behavioural intention and behaviour of chocolate consumers.

This article mainly focused on the Hungarian data.

2. Method

An on-line survey was conducted in Hungary which structure was based on literature review, results of focus group studies and elicity studies.

The three parts of the on-line survey included questions to comprehend personal characteristics, intrinsic product characteristics and consumer behaviour. 400 consumer participated in the study. They were divided into 3 groups. Group A included 120 consumers who tasted the praline samples and filled the on-line survey as well. Consumers in Group B did not participate in the tasting session, but on their second test occasion they also filled the questionnaire again. Group C, similar to Group B did not taste the model pralines, and they only answered questions related to the intrinsic product characteristics (Table 1).

Table 1. The construction of the research

On-line survey	Taste sensitivity of the target group	Tasting session	Tasting session	Tasting session	Repeated on-line survey
1. occasion					2. occasion
N:400 (HU)	120/400	120 / 400	120 /400	120 /400	360/400

Source: own work

The traditional TPB was built to understand the behaviour intention (BI) of a consumer to purchase a product. Three constructs are important to explain BI: attitude towards product (ATT), subjective norm (SN), perceived behaviour control (PBC). The model was analysed through several interrelated components. Behaviour (B) was predicted by intention to perform this behaviour. Subsequently, behavioural intention (BI) was predicted from three components as follows. First, there was an attitude (ATT), explained as evaluation whether the individual sees the behaviour as bad or good, unpleasant or pleasant, harmful or beneficial (Shepherd, 1990). Attitudes were calculated from 'behavioural beliefs' that performing a certain behaviour led to a particular outcome and the 'outcome evaluation' of behaviour, i.e., the evaluation of desirability of that outcome. The second component stood for subjective norm (SN). This was the perception by an individual of social pressure from important other people to perform a particular behaviour. The subjective norms were computed from 'normative beliefs' concerning the influence of a referent (e.g. family or friends), and 'motivation to comply' with this referent.

The third construct was called perceived behavioural control (PBC). The PBC component could also be explained as the degree to which a person felt that she/he was in control of her/his own behaviour. Regression analysis was done to determine how much the behaviour intention of a consumer was related to ATT, SN and PBC. Additionally, the correlation coefficients between the three constructs and behaviour intention were calculated. A second regression analysis determined how behaviour intention is explaining the actual behaviour of a consumer. A third regression was done to reveal how the behaviour intention and the perceived behaviour control together explain the behaviour. The calculation was done with perceived behaviour control and with attitude and subjective norm. This method could indicate what constructs influence not only behaviour intention but together with behaviour intention, the actual behaviour of the consumer. Desire as a new construct was added to the model. The influence of desire was calculated with regression analysis. Desire was then put as an extra construct when defining behaviour intention. It also was used to explain actual behaviour together with behaviour intention.

The impact of the negative experience with blooming praline was also investigated.

3. Results

3.1. Consumer behaviour towards filled chocolate consumption in Hungary using the extended theory of planned behaviour (TPB)

Firstly reliability with Cronbach's alpha was checked on the main elements (ATT, SN, PBC, BI, B) of the TPB model. The reliability for attitude and perceived behavioural control were rather low but sufficient. After the reliability check, the values for the different constructs were calculated. These new variables were defined as direct_att, direct_sn and direct_pbc. The correlations between the construct and the questions were calculated. All the correlation coefficients were significant which indicated that none of the questions should be left out of the calculation. Regression analysis was done for the Hungarian consumers to explain the behavioural intention and the behaviour of the consumers (Table 2). The beta coefficients were the regression coefficients of the independent variables. For behavioural intention, attitude and perceived behavioural control were significant with $p < 0.001$. Subjective norm was also significant but with $p < 0.01$. This indicated that the Hungarian consumer was influenced by the three constructs attitude, subjective norm and perceived behaviour control. The regression coefficient of attitude was the highest coefficient and positive ($\beta = 0,406$). This meant the behaviour of the Hungarian consumer was highly depended on the attitude of the consumer towards the product. It can be stated that a positive attitude was positively

influencing the behaviour intention of the Hungarian consumers. The beta value for subjective norm was low but positive ($\beta=0.123$). A Hungarian consumer was influenced by his/her partner, family and friends to eat or reject pralines. Again a positive influence from these people increased the behaviour intention of the consumer. Perceived behavioural control had a negative beta value ($\beta=-0.185$). The explained variance, R^2 , was low which indicated that these were only a few factors that explained the intention to buy a product ($R^2=0.223$).

Table 2: Regression analysis of theory of planned behaviour for the Hungarian consumers on 1st and 2nd occasions

Dependent variable	Independent variable	Beta	Beta ₂	Sign.	Sign. ₂	Correlation	Correlation ₂	Sign.	Sign. ₂
Direct_bi	Direct_att	0,406	0,236	0,000	0,002	0,407	0,198	0,000	0,01
R ² ₁ =0.223 R ² ₂ =0,1	Direct_sn	0,123	0,112	0,008	0,099	0,238	0,127	0,000	0,027
	Direct_pbc	-0,185	-0,071	0,000	0,364	-0,157	0,015	0,001	0,409
Direct_b	Direct_bi	0,792	0,659	0,000	0,000	0,792	0,659	0,000	0,000
R ² ₁ =0.627 R ² ₂ =0,435									
Direct_b	Direct_bi	0,781	0,658	0,000	0,000	0,792	0,659	0,000	0,000
R ² ₁ =0.633 R ² ₂ =0,442	Direct_pbc	-0,074	0,083	0,017	0,095	-0,196	0,093	0,000	0,080
Direct_b	Direct_bi	0,795	0,67	0,000	0,000	0,792	0,659	0,000	0,000
R ² ₁ =0.628 R ² ₂ =0,438	Direct_att	-0,008	-0,055	0,807	0,276	0,316	0,077	0,000	0,120
Direct_b	Direct_bi	0,786	0,685	0,000	0,000	0,792	0,659	0,000	0,000
R ² ₁ =0.627 R ² ₂ =0,476	Direct_sn	0,024	-0,205	0,447	0,000	0,211	-0,118	0,000	0,037

Notes: the bottom index (2) means the second occasion.

The regression analysis to define the behaviour of the consumer indicated that the factor desire was influencing the behaviour together with behaviour intention. A positive desire to eat pralines pushed the consumer to actually eat pralines. The explanation of the variances increased when introducing the desire factor.

The correlation coefficients represented the same trends. However, these coefficients were all significant, which meant that there was a correlation between all constructs and behavioural intention. Behaviour could be constructed in different ways. When the regression analysis was done with only behaviour intention, the explained variance was almost 63%. When including perceived behaviour control, the results indicated that the regression coefficient was significant with $p<0.05$ but the increase of the explained variance was low. Identical to the explanation of the behaviour intention, the perceived behaviour control had a negative regression coefficient. When explaining behaviour with behaviour intention and attitude, the results indicated that attitude was not significantly relevant in explaining this construct. The same result was found when including subjective norm in the regression analysis. The conclusion here was that Hungarian consumers were only influenced by their perceived behavioural control in actual behaviour of eating pralines and not by attitude or subjective norm. In the Extended Theory of Planned Behaviour, the extra construct desire (direct_d) was included. Before calculating the value for this construct, the internal validity was checked. These Chronbach's alpha was high, so no problems occurred in calculating the value for desire. Again the correlation coefficients were calculated to indicate if the questions were correlating to the construct. These results indicated that the coefficients were significant. The correlation with the construct score was high. The regression analysis was then executed to indicate how big the influence of this construct was on behavioural intention and behaviour (Table 3). The regression analysis to explain behavioural intention gave other results than in

the traditional TPB. The construct desire resulted in a higher explained variance namely from an R² of 0.223 to 0.444. Further, only the regression coefficients of attitude and desire were significant. Subjective norm stayed non-significant but perceived behavioural control was now also non-significant. The coefficient for attitude was a little lower than before. The regression coefficient of desire was high and almost equal to the beta value for attitude. The correlation coefficients were all significant, which indicated that they were all correlated to the behaviour intention

Table 3: Regression analysis of extended theory of planned behaviour for the Hungarian consumers

Dependent variable	Independent variable	Beta	Beta_2	Sign.	Sign._2	Correlation	Correlation_2	Sign.	Sign._2
Direct_bi	Direct_att	0,244	0,132	0,000	0,08	0,407	0,198	0,000	0,001
R ² ₁ =0,444 R ² ₂ =0,148	Direct_sn	0,058	0,03	0,143	0,66	0,238	0,127	0,000	0,017
	Direct_pbc	-0,070	0,044	0,081	0,577	-0,157	0,015	0,001	0,409
	Direct_d	0,516	0,319	0,000	0,000	0,620	0,336	0,000	0,000
Direct_b	Direct_bi	0,681	0,71	0,000	0,000	0,792	0,659	0,000	0,000
R ² ₁ =0,647 R ² ₂ =0,455	Direct_d	0,180	-0,151	0,001	0,004	0,602	0,087	0,000	0,094

Notes: the bottom index (2) means the second occasion.

3.2. The negative experience on the behaviour of filled chocolate consumers

The impact of negative experience, 2nd occasion can be presented through the results. The people in the 2nd occasion not just were introduced with the pralines, but the pralines with products defects, blooming as well. Firstly, reliability with Cronbach's alpha was checked on the main elements (ATT, SN, PBC) of the TPB model. The reliability for attitude, subjective norm and perceived behavioural control were low but sufficient. After the reliability check, the values for the different constructs were calculated. These new variables were again defined as direct_att, direct_sn and direct_pbc in the same way as it presented in 4.1. A reliability analysis was executed on behaviour and behaviour intention that was sufficient for the further analysis.

Regression analysis was done for the Hungarian consumers to explain the behavioural intention and the behaviour of the consumers (Table 4). For behavioural intention, attitude was significant with p<0,05, but the subjective norm, the perceived behavioural control were not significant. This indicated that the Hungarian consumer was influenced by mainly the construct, attitude and not as much by perceived behaviour control, subjective norm. Based on the results we can conclude that behavioural intention (BI) still influenced the consumer's behaviour mainly.

In the 2nd occasion the extended TPB with the use of the new construct, desire was used. As results of the second occasion, the negative influence the desire and the attitude have significant impacts on behaviour intention. Subjective norm, perceived behavioural control stayed non-significant. The regression analysis to define the behaviour of the consumer indicated that the factor desire was influencing the behaviour together with behaviour intention. However, a positive desire to eat pralines pushed the consumer to actually eat pralines. Desire (D) stayed significant on behaviour, but it seemed that negative experience had a negative effect on the desire.

4. Conclusion

In the literature, the Theory of Planned Behaviour (TPB) has proven to be effective in understanding the consumer behaviour towards food, chocolate and the praline in particular. The TPB was applied to investigate the cognitive influences by which the rational behaviour of consumers may be predicted. The model was analysed through several interrelated components, behaviour (B), attitude (ATT), subjective norm (SN) and perceived behaviour control (PBC). Later, the model was extended with desire as a new construct. The behaviour of Hungarian consumers was influenced by behaviour intention and desire according the extended TPB model.

Behaviour intention was affected by the negative perceived behaviour control, the attitude and the subjective norm in terms of traditional TPB.

Behaviour intention was affected significantly by attitude and desire, non-significantly by subjective norm and negatively perceived behaviour control at the extended TPB.

The behaviour was explained by behaviour intention. The behaviour was explained better with the use of desire, with the extended TPB.

The impact of the knowledge of product defect, blooming, and negative experience had negative effect on desire.

References

1. Ajzen, I. (1991): The Theory of Planned Behaviour. „*Organizational behaviour and human decision processes*”, 50 (2), p. 179-211
2. Ajzen, I., Fishbein, M. (1980). Understanding attitudes and predicting social behavior. Englewood Cliffs, NJ: Prentice-Hall.
3. Cartwright, F., Stritzke, W. G. K., Durkin, K., Houghton, S., Burke, V., & Dean, M., Raats, M. M., Shepherd, R. (2008): Moral Concerns and Consumer Choice of Fresh and Processed Organic Foods. “*Journal Of Applied Social Psychology*”, 38(8), p. 2088-2107.
4. Fletcher, B. C., Pine, K. J., Woodbridge, Z., Nash, A. (2007): How visual images of chocolate affect the craving and guilt of female dieters. “*Appetite*”, 48 (2), p. 211-217.
5. Frijters, J. E. R. (1993): Functional measurement in the study of mixture percepts. “*Chemical Senses*”, 18(2), p. 93-100.
6. Gendall, K. A., Joyce, P. R., Sullivan, P. F. (1997): Impact of definition on prevalence of food cravings in a random sample of young women. “*Appetite*”, 28 (1), p. 63-72. doi: 10.1006/appe.1996.0060.
7. Hill, A. J., Weaver, C. F. L., Blundell, J. E. (1991): Food craving, dietary restraint and mood. „*Appetite*”, 17 (3), p. 187-197.
8. Januszewska, R., Viane, J. (2002): Acceptance of chocolate by preference cluster mapping across Belgium and Poland. “*Journal of Euromarketing*”, 11 (1), p. 61-86.
9. Lawless, H. T., Claassen, M. R. (1993): Application of the central dogma in sensory evaluation. “*Food Technology*”, 47(6), p. 139-146
10. Macht, M., Dettmer, D. (2006): Everyday mood and emotions after eating a chocolate bar or an apple. “*Appetite*”, 46(3), p. 332-336.
11. Mela, D. J. (2000): Why do we like what we like?, “*Journal of the Science of Food and Agriculture*”, 81, p. 10-16.
12. Osman, J. L., Sobal, J. (2006): Chocolate cravings in American and Spanish individuals: Biological and cultural influences. „*Appetite*”, 47 (3), p. 290-301.

13. Parker, G., Parker, I., Brotchie, H. (2006): Mood state effects of chocolate. „*Journal of Affective Disorders*”, 92(2-3), p. 149-159.
14. Pelsmaeker, S. Gellynck, X. Delbaere, C. Declercq, N. Dewettinck, K. (2014): Consumer-driven product development and improvement combined with sensory analysis: A case-study for European filled chocolates. „*Food quality and preference*”,41, p.20-29.
15. Propraline (2011): URL: www.propraline.eu.com
16. Rodin, J., Mancuso, J., Granger, J., Nelbach, E. (1991): Food cravings in relation to body mass index, restraint and estradiol levels: A repeated measures study in healthy women. „*Appetite*”, 17 (3), p. 177-185. doi: 10.1016/0195-6663(91)90020-S.
17. Rossi, P. E., Allenby, G.M., McCulloch, R. 2005: Modeling interdependent consumer behaviour. „*Bayesian Statistic and Marketing*”, John Wiley & Sons. Ltd. ISBN: 0470863676.
18. Rozin, P., Levine, E. Stoess, C. (1991): Chocolate craving and liking. „*Appetite*”, 17(3), p. 199-212.
19. Shepperd, R. (1990): Attitudes and beliefs as determinants of food choice. *Proceedings of the Nutrition Society*, 58, p. 807–812.
20. Tisoncik, M (2013): Chocolate fat bloom. http://www.blommer.com/_documents/Chocolate-Fat-Bloom-article.pdf

MARKETING COMMUNICATION PROBLEMS ILLUSTRATED WITH AN EXAMPLE OF AGRICULTURAL TRADE SHOWS AND EXHIBITIONS

Magdalena RZEMIENIAK

Lublin University of Technology, Lublin, Poland

E-mail address: m.rzemieniak@pollub.pl

Summary: The aim of the article is to identify mistakes and problems in marketing communication occurring during agricultural trade shows and exhibitions. The application research was carried out in the framework of research conducted at the Department of Marketing in 2014. The indirect goal was to formulate key features of trade shows and exhibitions for a given agricultural company. The research results confirmed that the respondents view trade shows as the best opportunity for identifying current market trends and selecting the best possible offer. This conclusion has also been confirmed by a large group of people who, in their questionnaires, declared their participation as observers and customers. Over a half of the respondents participate in trade shows three times a year tops. Therefore, exhibitors should make every effort to make their stands attractive, their offer unique and their staff perfectly prepared.

Keywords: marketing communication, trade shows, exhibitions

1. Introduction

The goal of this study is to identify mistakes that cause problems in marketing communication during agricultural trade shows and exhibitions. The application research was carried out in the framework of research conducted at the Department of Marketing in 2014. . The indirect goal was to formulate key features of trade shows and exhibitions for a given agricultural company. The research sample was selected randomly. The target group of the research consisted of people visiting the Case company stand (the analyzed company is the main dealer of this American brand in Poland) at 21st Kielce International Fair of Agricultural Techniques AGROTECH. The research was carried out between 27th and 29th March 2015, from 9 A.M to 5. P.M. and encompassed 238 participants. The research tools used included survey questionnaire, participant observation and personal interview with the Managing Director. The questionnaire was filled in by trade show organizers, journalists and farming industry customers.

The research results confirmed that the respondents view trade shows as the best opportunity for identifying current market trends and selecting the best possible offer. This conclusion has also been confirmed by a large group of people who, in their questionnaires, declared their participation as observers and customers. What is important for exhibitors participating in agricultural trade shows and exhibitions is how frequently the respondents participate in such shows. Over a half of the respondents participate in trade shows three times a year tops. Therefore, exhibitors should make every effort to make their stands attractive, their offer unique and their staff perfectly prepared. An exhibitor who is professionally prepared will stand out among intense competition at a large trade show. These advantages may pay off in a fruitful cooperation or be an incentive to start such a cooperation.

According to Ph. Kotler, marketing is “an administrative and social process thanks to which the individuals of the group gain what they need and desire through the creation and mutual exchange of products and values (Kotler et al., 2002)”. According to this definition, these

include all of the actions taken by a given enterprise which allow it to execute goals via providing the society with the goods it needs. The execution of marketing actions requires releasing the product that will meet the expectations of purchasers at an accepted price, convenient location and time in a distribution channel. It also requires supporting these actions with a conscious process of market communication. In consideration of the above, there are communication tools necessary in marketing that would allow to affect a target market.

Marketing communication focuses on communication between a product offerer and its receiver, i.e. consumer. Marketing communication consist in providing information, arguments and incentives conducive to trade exchange thanks to which the receivers fulfil their needs by purchasing a given product. In the communication process, the sender of the transmission is the offerer, i.e. the party that initiates the exchange (e.g. a company). The receivers are consumers or entities from the market environment that are interested in this transmission. Marketing communication is a mixture of promotion tools such as (Szymaniuk, 2006): advertising, public relations, sales promotion, merchandising, personal sales, direct marketing, sponsoring or trade shows and exhibitions.

2. The place of trade shows and exhibitions in marketing communication

Marketing communication focuses on communication between a product offerer and its receiver, i.e. consumer, in order to provide information on arguments and incentives.

Trade shows are a zone of regularly organized commercial meetings that usually take place at the same location and limited time period. The origins of trade shows date back to Middle Ages, when they used to be free trade areas and places for barter exchange. Currently, there is a view that “trade shows are a market in a nutshell”. Trade shows, in a formalized manner, encompass entities from an applicable branch, i.e. exhibitors, clients (guests, visitors, customers) and organizer of an exhibition. On the other hand, exhibitions might constitute a slight fraction of trade shows, as these are places where exhibiting companies present their current offers, inform visitors on their possibilities and promote them. Unlike trade shows, there are no transactions here and their duration period is usually longer. Organization of exhibitions is carried out at different locations and various time periods (Altkorn and Kramer, 1998).

What differentiated trade shows from exhibitions was their goal and subjective, objective level, as well as purposefulness. The purpose of trade shows is to confront the demand zone with the supply zone and allow entrepreneurs to more easily find good commercial partners for concluding contracts. Practical considerations were always dominant in case of trade shows. On the other hand, exhibitions are transaction-free. Their purpose is to present the progress achieved in a given area of activity and means in possession of a company for fulfilling the needs of society. In case of exhibitions, intellectual and cultural considerations are dominant.

In the objective area, what dominates at trade shows are goods that can be objects of the contract, having a specific market value. In this area, economic features and sales that generate revenue are dominant. The purpose of exhibitions is to present products that were a result of a physical or intellectual labour, such as new technological solutions, new scientific ideas etc. Despite numerous economic considerations, their character is mainly scientific, educational and cultural.

As a rule, the main participants of trade shows in the subjective area are business entities that present their products or services to other professionally interested participants of commercial exchange. The subjects that take part in exhibitions are private persons, companies and states

which present their achievements to wide audience (not necessarily professionally connected with interests).

In a time perspective, trade shows occur regularly in specific schedule intervals and in a specific period, e.g. annually, from a couple of days to 3 weeks. Exhibitions do not have a regular character and are organized less frequently than trade shows. However, they have a longer duration period, e.g. every couple of years for a couple of months.

3. The role of trade shows and exhibitions

Every marketing action should have a clearly defined goal. Having the specific goal that is achieved through the participation in trade shows or exhibitions is key to success. Many companies succumb to the opinion that participation in trade shows is mainly a matter of prestige and the remaining quantitative effects of this type of promotion are not verifiable. However, making the intentions very precise will allow to verify their execution and the rationality of investing in this form of promotion. Therefore, setting goals becomes not only an economic necessity, but also a logical starting point in plans of participating in such an event. When crafting a list of goals that the company wishes to fulfil by participating in a trade and exhibition event, it is necessary to make sure that they are realistic. Participating in trade shows allows the company to promote and increase demand on its offer and this stimulates the activities of competitive entities and allows the visitors to have a good understanding of a branch market. This is why the sales and image are keywords on which the main principles of participating in an event are based (Szołtysek, 2006; Drab, 1995).

Economic goals are goals connected with improving the profitability (Mazur, 2014):

- The sales of existing or new products and services.
- Creating an up-to-date client database.
- Establishing contacts with potential partners.
- Finding new target groups.
- Maintaining contact with current contracting parties.
- Finalizing or concluding commercial contracts.
- Launching new offers on a market.
- Technology transfer.
- Knowing the current trends in the industry.
- Carrying out market research.
- Searching for personnel that knows the industry inside out.
- Improving competence of current personnel or training new personnel.
- Understanding the purchasing process of customers.
- Making direct contact with target customer groups.
- Gaining new licences.
- Knowing preferences of new target groups.
- Finding market gaps.

Along with the improving importance of mass-media, the company image also becomes more and more important. Clients buy mainly their own ideas of benefits from having a given product or service. Promoting the offer at trade shows additionally stimulates the demand and the communication with a potential customer allows to build a positive opinion about the producer. With this in mind, the image goals have been identified (Mazur, 2014):

- Emphasising and reminding of the company presence on the market.
- Change in image perception.
- Improving the image of the company in the customers' awareness.
- Presenting the company and its offer.
- Presenting the company and its offer in comparison with the competition.

- Helping customers with problem solving.
- Winning prizes and rewards.
- Supporting the marketing activities
- Creating conditions for exchanging experiences between persons from the sector.
- Distribution of product samples and creating conditions for testing.
- Client education through demonstrating the practical use of the offer.
- Gathering information on other trade and exhibition events.
- Counteracting negative media opinion.
- Checking the efficiency of promotion and marketing campaigns used until now.
- Creating attractions for potential customers.
- Observation of activities of competitive companies.
- Observation of exhibitions and stands of the competition that may be the inspiration for the company in the future.
- Maintaining contact with the media.

When participating in a trade show it is important to remember to set priorities that lead to achieving the main goal of the company (Hadrian, 2014).

Most companies do not treat trade shows and exhibitions as an independent marketing tool. The marketing strategy of a company should encompass participation in trade shows in a way that is compatible with other promotion tools.

4. Result

The target group of the research were people visiting the Case company stand (Rzemieniak, 2014) (the analyzed company is the main dealer of this American brand in Poland) at 21st Kielce International Fair of Agricultural Techniques AGROTECH. The research was carried out between 27th and 29th March 2015, from 9 A.M to 5. P.M. and encompassed 238 participants. The questionnaire was filled in by trade show organizers, journalists and farming industry customers. The research tools used included survey questionnaire, participant observation and personal interview with the Managing Director (Rzemieniak, 2015). 238 respondents participated in the survey research. All questionnaires were filled in correctly and returned. Gender wise, 182 males and 56 females responded. In case of assessing the frequency of participating in branch trade shows, the most popular answer that occurred 124 times was “less than 3 times a year”. In majority of cases this answer was selected by males. “More than 7 times a year” was an answer that was the least popular, as it was selected by only 19% of the respondents. 38 respondents visit trade shows 7 times a year or less.

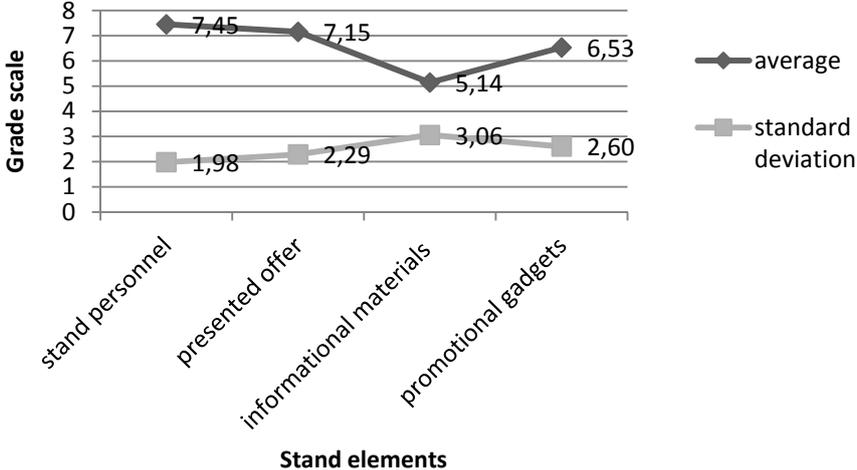
As many as 37,5% of the respondents are individuals who run business activity in farming industry. 36,7% of the research participants declared themselves as farm owners. 16,6% are employed in farmsteads.

The most often selected motivation for participating in trade shows (106 indications) was the opportunity of acquiring a wide range of information at one place. 66 respondents claimed that the presence of a popular and important person was the key attraction. Only 22 out of 238 respondents indicated branch trainings as relatively encouraging attraction. The same number of people claimed that conferences are the main motivation for participating in trade shows. It is worth mentioning that 22 respondents regard promotional gadgets and gifts as a major incentive. 16 respondents said that contests are what made them participate in trade shows.

Respondents were also asked about their view on various elements of stand of the analysed company. A ten-grade scale was available to the respondents when assessing each stand element, where 1 stood for “unsatisfactory factor” and 10 – “very satisfactory factor”. According to the respondents the most important element of the stand was the personnel – as

many as 87 out of 208 people selected “10” on the scale. The average for this answer amounted to 7,45, because a large group of respondents did not grade this element very high. Informational materials were ranked the lowest with the average grade of 5,14. It is worth mentioning that promotional gadgets of companies were ranked relatively low. The average for this element amounted only to 6,53. The respondents gave the grade of 7,15 for the offer presented at the stand of the analysed company. This analysis is based on the data included in figure 1.

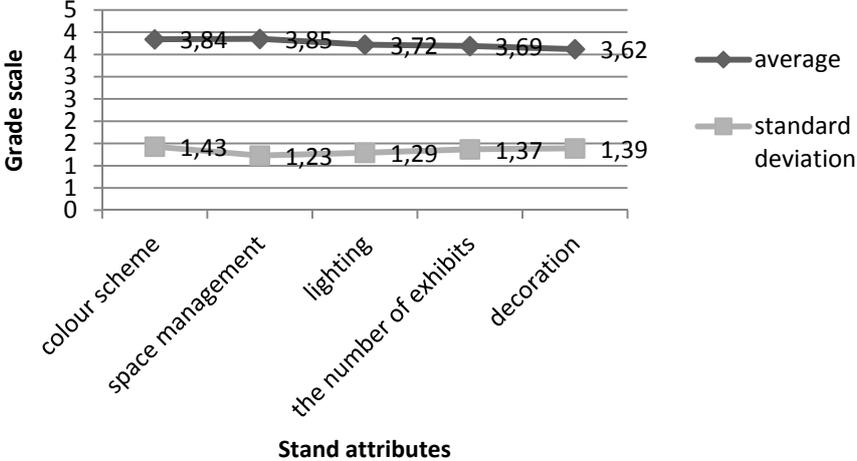
Fig 1. Assessment of the exhibition stand of the analysed company.



Source: Research carried out between 27th and 29th March 2015 at the 21st Kielce International Fair of Agricultural Techniques AGROTECH.

Another figure (figure 2) presents details regarding features of the stand of the analysed company. The respondents could valuate each of the features using a five-grade scale. The research participants did not find any of the mentioned features particularly prominent, because according to the respondents’ evaluation the average for each feature varies approximately by 0,23. The high average of 3,85 was given to the space management. The general decoration of the stand was the least liked feature.

Fig. 2 Evaluation of respective features of the exhibition stand of the analysed company.



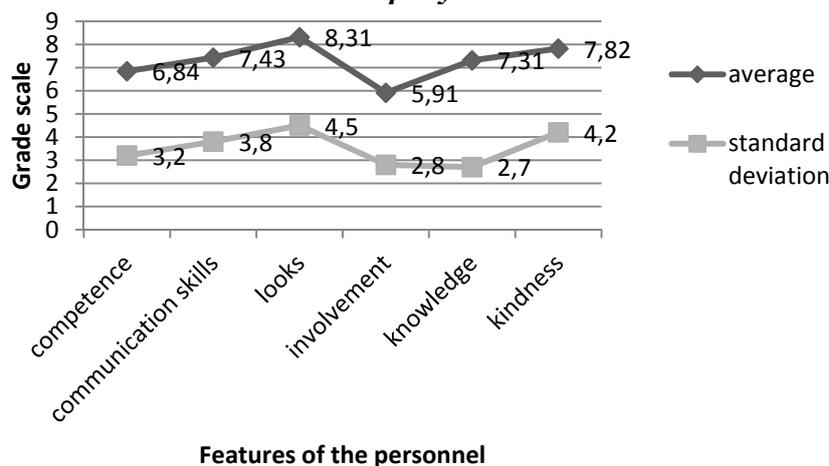
Source: Op. cit.

One of the questions considered offer that should be presented at trade shows and exhibitions. The vast majority of the respondents (76,4%) want to see only the newest offer. According to

the lowest number of respondents (3,7%), the analysed company should present the whole range of products. 26,4% think that trade exposition should only consist of products of one brand offered by a company. Only 13,5% out of 108 respondents selected the answer regarding the offer selected due to a certain criterion.

What is interesting is the question regarding perception of the attributes of the stand personnel. Each of the features could be valued using a 10-grade scale, where “1” was the worst perceived feature while “10” – the best. The involvement of the stand personnel was granted the lowest grade average of 5,91, followed by competences with the grade average of 6,84.

Fig.3. Evaluation of respective features of the exhibition stand personnel of the analysed company.



Source: Op. cit.

The looks of the exhibition stand personnel was given the highest average of 8,31. The remaining features’ average grades were between 7 and 8. This analysis was carried out on the basis of fig. 3.

5. Conclusion

A good management of the company at trade shows is the key to success. When asked about the preferred form of offer presentation at trade shows, most of the respondents indicated stand personnel. This is a very important indicator for the analysed company. It is necessary to take care of proper personnel training before the trade show. The employees should be free of any imperfections and constitute the greatest asset of the stand. Moreover, the company should equip the stand with the proper number of informational brochures so that every visitor can get one. It is also necessary to pay attention to the great role of the trade personnel. Their competences, involvement and knowledge are of major importance. The number of contracts that will be concluded with clients who were properly informed about the company’s offer will depend on the qualifications of the personnel.

Summing up, trade shows are multi-functional and complex marketing tool that supports the execution of various goals of the company. For the majority of companies, participation in trade shows is one of a kind opportunity to test themselves in the conditions of real competition.

References

1. Altkorn J., Kramer T., *Marketing lexicon*, Ed. PWE, Warszawa 1998.
2. Drab A., *Exhibition marketing, , succes at the fair*, Ed. Business Press, Warszawa 1995, pp. 11-21.
3. Hadrian M., *Directions an experienced exhibitor*, „Gazeta Targowa”, No 3/2014, p. 7.
4. Kotler Ph., Amstrong G., Saunders J., Wong V., *Marketing. European habdbook*, Ed. PWE, Warszawa 2002, p. 9.
5. Szoltysek. J., *Trade in bussines promotion strategy*, „Travel market”, No 1/2006, pp. 28-30.
6. Szymoniuk B., *Marketing communication. Instrumenty i metody*, Ed. PWE, Warszawa 2006, p. 27.
7. Mazur L., *Fars and exhibitions as promotional key instrument in the company from the agricultural sector*, unpublished academic work, Lublin 2014.
8. Rzemieniak M., *Forecast preparation fairs and exhibitions in the company from the agricultural sector*, unpublished internal development, Lublin 2014.
9. Rzemieniak M., *Testing and assessment of the effectiveness of the preparation of fairs and exhibitions in the company from the agricultural sector*, unpublished internal development, Lublin 2015.

THE USE OF SOCIAL MEDIA AND SOCIAL MEDIA MARKETING TOOLS BY THE POLISH MARSHAL OFFICES TO PROMOTE HEALTH

Magdalena SYRKIEWICZ-ŚWITAŁA, Katarzyna LAR, Tomasz HOLECKI

School of Public Health in Bytom, Medical University of Silesia in Katowice, Department of Health Care Economics and Management, Katowice, Poland

E-mail: mswitala@sum.edu.pl

Summary: The increasing number of people using social media determines the contemporary approach to the means of communication to the information society. The Marshal Offices willing to conduct effective health promotion campaigns are forced to adapt to the changing trends in the modern marketing communication. Objective: The aim of this study is to determine whether the Polish Marshal Offices use the tools of social media marketing activities in the field of health promotion. Material and methods: 14 Marshal Offices in Poland were investigated. Two methods of research were used: CAWI and CATI based on author questionnaire. Data analysis was based on standard statistical methods. Results: 93% of responding offices are involved in activities related to the promotion of health. The main domains are: cancer (30%) and stimulants (28%). In the opinion of employees of the Marshal Offices the most convincing form of communication with patients is direct promotion (46%). Far less important are information posters (12%) or TV spots (10%). 56% of offices do not use social networking sites in the conduct of health campaigns. The other commonly used canals in these operations are Facebook (25%) or YouTube (6%). 50% of offices do not apply the tools of social media marketing. The rest declares active participation in discussions on Internet health forums. Conclusions: It has been postulated to pay more attention to social media and social media marketing tools in health promotion campaigns carried out in order to improve the efficiency of communication with the present information society.

Keywords: marketing communication, social media, social media marketing, health promotion

1. Introduction

Nowadays, due to the latest technology, it is observed a dynamic development of communication based on the medium of the Internet. The network has not only become a popular medium, but also an effective, efficient and accessible communication channel. The social media create therefore space for an efficient and modern way of communicating with the target groups for the promotion of health (Evans 2006). They are able to respond to undesirable social phenomena and test new activities in the field of health promotion and health education (Tokarz 2009). In the digital era it seems to be a perfect idea of social media connection with the tasks related to the promotion and health education undertaken by state institutions. It has become a prerequisite to choose topic of this paper. The goal was to investigate whether the marshals' offices use social media marketing and social media tools to communicate with the environment in the field of health promotion.

2. Research Objectives

The main objective of the study was to determine whether, in the era of ubiquitous Internet, Polish marshal offices use internet marketing tools, with particular emphasis on social media

marketing activities in the field of health promotion. Specific objectives of the study focus on the activities of Polish Marshal Offices in the field of health promotion and use of social media marketing tools:

- Identification of areas of activity of Polish Marshal Offices in the field of health promotion.
- Identification of marketing communication tools used by Polish Marshals Offices in activities in the field of health promotion.
- Determination whether and how the Polish Marshal Offices use the tools of social media marketing for their actions in the field of health promotion.
- Formulation of postulates of recommendations to improve the communication efficiency by Polish Marshal Offices in the field of health promotion.

3. Material and Methods

The research material was collected using an online survey (CAWI - Computer-Assisted Web Interview) and telephone interviews (CATI – Computer Assisted Telephone Interview). Obtaining statistical data followed in several steps. Invitation to participate in the study was sent by e-mail. The invitation consisted of a covering letter, information about the project implemented and a hyperlink to the questionnaire (CAWI). At intervals of several days three mailings was made. In order to complete the missing number of surveys a call center studio was launched.

The study was nationwide, as all the Marshal's Office were invited to participate. Consent to participation in the project expressed 14 offices. The samples for the study were purposeful.

4. Results

Taking action in the field of health promotion declared 13 Marshal Offices (92.9%). Only one tested Office (7.1%) did not engage in any activities in the area of health care. Polish Marshal Offices prefer to engage in health promotion campaigns for the cancers (N = 14; 100%) and stimulants (N = 13; 92.9%). Also the actions to combat domestic violence are often taken (N = 7; 50%), cardiovascular disease (n = 5; 35.7%) and lung disease (N = 4; 28.6%). The least frequent activity in the area of health promotion carried out by Marshal Offices concerns of obesity among adults (N = 2; 14.3%) and children (N = 1, 7.1%).

Marshal Offices most frequently implement activities in health promotion through the organization of conferences (N = 11; 26.8%). Willingly used form of activity are workshops (N = 8; 19.5%), as well as the initiation of television programs (N = 7; 18%), and finally the development of information brochures (N = 6; 14.6%). Least likely health promotion campaigns are carried out by organizing concerts (N = 4; 9.8%), the development of information leaflets (N = 3; 7.3%), and initiating radio programs (N = 2; 4.9%).

In the opinion of the staff from Marshal Offices the most effective ways to implement activities in the field of health promotion are the organization of the conference (N = 11; 78.6%), workshops (N = 7; 50%), concerts (N = 7; 50%) and to initiate radio programs (N = 6; 42.9%). For the less effective the respondents completed the development of information brochures (N = 3; 21.4%), initiation of television programs (N = 3; 21.4%), and the development of leaflets (N = 2; 14.3%).

Marshal Offices' cooperation with NGOs in the field of health promotion is often dedicated to drugs (N = 14; 100%) and cancers (N = 13; 92.9%). Less commonly, third sector organizations engage in actions against domestic violence (N = 4; 28.6%), and the marginal importance to cooperation is the prevention of cardiovascular disease (N = 1, 7.1%), lung disease (N = 1; 7.1%) and obesity among adults (N = 1, 7.1%) and children (N = 1, 7.1%).

In the opinion of employees of Marshal Offices the most attractive and convincing form of health promotion for patients is the direct promotion recommendations implemented by friends (N = 12; 85.7%). Effective promotion provide also doctor and pharmacist direct recommendations (N = 7; 50%), displaying posters in medical units (N = 6; 42.9%) and the issue of television spots (N = 5; 35.7%). Of less importance is the distribution of newsletters (N = 3; 21.4%) and information leaflets (N = 3; 21.4%), as well as direct internet promotion through recommendations from other users (N = 3; 21.4%). Of the least effective actions in the area of health promotion, respondents completed the street putting up billboards, posting press releases, email campaigns, and the issue of radio and online spots.

5. Conclusions

Almost all surveyed offices engage in activities in the field of health promotion. Activities of Polish Marshal Offices in this field consist mainly of cancer and stimulants health promotion. The organization of conferences and workshops turns out to be the most common and the most effective actions in the area of health promotion carried out by the Polish Marshal Offices. A half of the employees of Polish Marshal Offices considered direct communication of health promotion among patients to be the most convincing and inspiring confidence form. Far less important, in their opinion, are information posters and TV spots. In the opinion of surveyed offices the direct promotion recommendations implemented by friends are the most attractive form of health promotion. More than half of the surveyed agencies, despite awareness of the importance of direct communication, do not use social networking sites in the conducting health campaigns. One quarter of responding offices used in these activities Facebook, and very few You Tube. Half of the Polish Marshal Offices do not use any social media marketing tools. The remaining half declares active participation in discussions on Internet forums on health or in moderating online forum or consulting. The study can be concluded that in the era of ubiquitous Internet less than half of the surveyed Polish Marshal Offices uses social media and social media marketing tools in their efforts to promote health. The change in technology should also revolutionize the functioning of the offices operating in the healthcare market, that want to get to the "digital" audience with their health-related transfers. These institutions, at various levels of their activities, may make profits from modern communication technologies if only they follow a new communication trends. It has been postulated to pay more attention by Polish Marshal Offices to social media marketing and social media tools in its actions in the field of health promotion in order to improve the efficiency in communication with the "digital" environment.

References

1. Evans W. D. (2006): How social marketing works in health care, *“Journal of health care marketing”*, No. 332 (7551), pp. 1207-1210.
2. Pabian A. (ed.) (2008): Środki i formy marketingowego oddziaływania na konsumentów, Wyd. Politechniki Częstochowskiej, Częstochowa.
3. Pabian A. (2008), Promocja nowoczesne środki i formy, Difin, Warszawa.
4. Syrkiewicz – Światała M., Holecki T, Sobczyk K., Wróblewski M., Lar K. (2015): Korzystanie z mediów społecznościowych i narzędzi social media marketingu w promocji zdrowia przez polskie gminy, *„Journal of Public Health, Nursing and Medical Rescue”*, No. 1, pp. 59-64.
5. Syrkiewicz – Światała M., Holecki T., Wojtynek E. (2014): Znaczenie mass mediów w promocji zdrowia, *„Medycyna Ogólna i Nauki o Zdrowiu”*, Vol. 20, No. 2, pp.171-176.

6. Syrkiewicz – Świata M., Świata R. (2012): Social media marketing jako współczesna koncepcja komunikowania się jednostek ochrony zdrowia z otoczeniem, „Zeszyty Naukowe Wydziału Zarządzania Politechniki Częstochowskiej”, No. 5, pp. 86-94.
7. Syrkiewicz – Świata M. (2014): Uwarunkowania procesu rekomendowania usług zdrowotnych przez przedstawicieli pokolenia Y w aspekcie social media marketingu, „Marketing i rynek”, No. 11, pp. 474-482.

COMMUNITY SITES' EFFECTS ON ON-LINE SALES

Katalin TARI

Szent István University, Gödöllő, Hungary

E-mail: katalintari@gmail.com

Summary: In today's business life, we have to be continuously innovative and competitive. We have always need to carry out surveys to define our target audience to keep our products/services/brand competitive compared to our rivals. Facebook and other social networking websites are the perfect virtual scenes, where businesses can be found easily. Potential costumers spends a lot of their free time surfing on these websites and because of this, there is a perfect chance for them to learn more about various organisations advertised on these types of websites. With the Internet becoming more and more popular and accessible, the relationship between companies and their customers has drastically changed. The sale process have becoming a more two-way communication relationship. However, the social networking sites cannot only be used by companies to sell their products, but they can be used by potential customers to buy as well. Customers can easily interact with others, share their experiences and opinions about a product or a service. Facebook plays a very important role in brand building because it can have huge effects on the image I am trying to build. After finishing my research, I believe that the increasing lack of personal face-to-face communication can be replaced either by a virtual representative or by a customer service on-line chat function.

What picture does the increasing lack of face-to-face human interaction and communication paints about our future? Which are the most popular on-line ways for advertising? What effect does the social site advertisement has on sales? What kind of products or services should be advertised by using this channel and what do not?

These are the main questions that I am looking for to answer through my research done by conducting in-depth interviews with five individuals working in on-line marketing and sales, as well as a survey answered by 201 social media users. The group of 201 social media users were divided by age, gender and regions. Then, a comparative analysis was carried out using the SPSS statistical software.

The results I received during my research helped me to successfully establish that the two channels – social media sites, online sales – precisely and in parallel represent the target audience. I also received answers for most of the foresaid questions, which I will describe in this publication.

In summary, it can be stated, that companies that do not use Internet for marketing purposes, have a disadvantage compared to other companies that have a bigger on-line presence.

Keywords: on-line marketing, on-line target group, community sites, e-commerce

1. Problem statement and goal setting

Within a few years, our world has undergone a radical change in the way we view our social values and consumer society. It is difficult to predict the outcome of these changes in an accurate manner. Internet was only used as a source of data a couple of years ago. However, the Web 2.0 revolution has completely changed the nature of human communication. Also by now it is not just about collecting dataform on the Internet but exchanging data between users also. Today's business life means innovation and continuous competition. Companies have to

needs-assessment and define their target all the time (in many ways) in order to keep products/services/brand competitive compared to the market. The Facebook and other social networking and media sites are the channels, where companies can easily be found. In today's world, potential buyers spend a lot of their time on-line, especially on social media sites, and this is where they have the opportunity to get to know the respective companies. The advent of internet there is a brand new, changed relationships between companies and customers. The sales processes are becoming into two-way communication relationships. With the social networking sites not only to the sellers, but also another potential buyer can interact, share their experiences, opinions and impressions on customers.

Keep in touch!

This short sentence serves as an ending to most of the English-language private and even business conversations. Today, worldwide approximately 4 billion people use the Internet for both, personal and business purposes. In Hungary, 62% of population aged between 15 and 69 can be classed as Internet users. This Means that 4,6 million of people go on-line at least once in every month. These Internet users spend a lot of their time on Facebook, Twitter, various on-line forums, social media and networking platforms. According to the data published by the Social Times, the number of Hungarian Facebook users can reach 4,4 million people, which represents 14th place in Europe and 39th place worldwide (<http://socialtimes.hu/>)

These numbers are on the rise and this provides a greater opportunity for the players of the consumer society. It is very common between consumers to obtain information about a product or service before purchasing. It is therefore, a legitimate question whether the on-line advertising through social media is an investment that pays off. The use of social media became very fashionable today. Almost all companies, large and small, can be found on Facebook. The Facebook IMEDIA PR Analytics lists an average of 12,271 Hungarian business related Facebook pages (http://hvg.hu/tudomany/20110613_facebook_marketing). Therefore, it is very important that companies know the shopping habits and identities of individuals using their social media sites, especially Facebook. Only companies that know what the members of their various fan sites want and how to provide them with a best possible offer can be successful in the on-line marketing used on social media pages.

2. Location and method of own test data

The requiring decision problems are in a mutual relationship with the marketing plans and with the marketing information systems. In the first step I have collected the problems identified of my research, thus I examined the use of online sales and social networking sites - and then I had to sketch the decision alternatives. Than the precise hypotheses were formulated.

2.1. Hypotheses

- 1st hypothesis (H1) is that with the popularity of social networking sites increasing, the proportion of on-line sales increased too
- 2nd hypothesis (H2) is that men became more open to the possibilities offered by on-line shopping earlier than women
- 3rd hypothesis (H3) is that higher educated people with a bigger prestige, are buying more through the Internet. My last two hypothesis are looking at possible ways to advertise through social media and networking sites.
- Under the 4th hypothesis (H4) it is worth to advertise through Facebook, as this ways companies can attract customer attention towards their products or services.

- According to 5th hypothesis (H5) a company's/product's/brand's long-term goals and success can be well supported through on-line marketing campaigns.

After stating the hypotheses, I recorded the boundaries of research and the available research information. Research of the available information focused on already existing published researches and those available on-line. The next step was the detailed planning of the research.

2.2. Customer survey

A research project is made up of more step constitutes each other roots, each of which are non-hierarchical, but also functionally related, such as consumer queries we continued our work. This was done via a quantitative method, using a questionnaire. The polling took place between 1st August and 1st of September 2013. The surveyed participants took part in the research through a well-known social networking site (Facebook) and were selected at random. The questionnaire contained 19 questions, which can be divided into four parts.

Part 1: Internet usage patterns (questions 1-4)

Part 2: the relationship between social media and networking sites and on-line shopping (questions 5-6)

Part 3: on-line shopping habits (frequency, location and popularity. 7-17 issue) and

Part 4: vision (18/19 issue)

For surfing habits, social networking sites (Facebook) and shopping on-line testing variables based on gender (male-female) statistical analysis of parametric independent sample t-test or non-parametric tests Mann-Whitney U test and cross tabulation (contingency tables) procedures used Chi 2 -tel. For some variables to examine the differences between the age groups (4 groups) ANOVA (one-way analysis of variance) or nonparametric Kruskal-Wallis H test was used and cross tabulation analyses Phi & Cramer's V coefficient. The correlation between the variables for testing - Facebook usage and on-line shopping habits - Pearson's correlation was used. Statistical analyses were performed using SPSS 19.0 for Windows program has helped.

3. Results

H1 hypothesis is that with the popularity of social networking sites increasing, the proportion of on-line sales too.

The hypothesis is only partially confirmed because neither subjects of in-depth interviews nor survey respondents have gave clear answers. In my opinion social media advertising is rather for awareness-raising than increase sales effectiveness.

The result of this question is precisely 3,41 which means an intermediate result on the basis of 201 case's reviews. Respondents have quoted the difficulty of measurement at question no. 9 because it's nearly impossible to measure it about many components that effects on it.

In case of banners click rate is about 1-2 % at normal websites. Social media platforms have a great ability to put advertisements especially for target audiences. This makes declaring find their ways to target groups and this effects higher click rates as well.

H2 hypothesis is that men became more open to the possibilities offered by on-line shopping earlier than women.

The hypothesis is true because question no. 9 had a significant result on the basis of gender. The question: „When did you buy the first time via Internet?“ has resulted that men used to buy on the Internet for a long while significantly, which means about 1 year on the average.

H3 hypothesis is that higher educated people with a bigger prestige, are buying more through the Internet. My last two hypothesis are looking at possible ways to advertise through social media and networking sites.

It has resulted a partly verification because there's no relevant differences in online shopping statistically, but there're tendencies showing people with MA (or more than MA) qualification buy via Internet more often (quarter terminally). People with BA or secondary school / technical college usually buy more infrequently (semi annually).

Under the H4 hypothesis, it is worth to advertise through Facebook, as this ways companies can attract costumer attention towards their products or services.

It's true on the basis of answers for question no. 5 which has resulted people find well positioned and nicely targeted (so which is able to reach the potential target audience) social media marketing quite effective. However, it is important to note that there is no place for every brand on social networking sites.

According to H5 hypothesis, company's/product's/brand's long-term goals and success can be well supported through on-line marketing campaigns.

My primary conclusion is that users do not even prefer advertisements used on social media pages, and the major drawback in online sales is the lack of personality. My secondary conclusion is that in online communities personalities cannot be separated sharply for private and business-like. The conclusion of the in-depth interviews is that the honest, open space of Internet, avoidance of subservience / superordinate and angles of humanity are the most important is social media advertising.

I consider my research successful and hope that I will have chance to work with social media marketing in the future to search and find new trends.

References

1. Bányai, E.-Novák, P. (2011): Online üzlet marketing
2. Szabó, F. (2011): Hol a pénz az interneten
3. Weber, L. Everywhere (2011): Comprehensive Digital Business Strategy for the Social Media Era p. 34-67.
4. Ries, U.- Mörgenthaler, T. (2011): Das inoffizielle facebook-Buch p. 8-48.
5. Baumann-Kristner (2000): e-Business Erfolgreich mit den neuen Medien p. 76-121.

EXPERIENCE SHARING MARKETING AS A NEW MARKETING TOOL

Katarzyna ŁAZORKO

Czestochowa University of Technology, Czestochowa, Poland

E-mail address: katarzyna_lazorko@wp.pl

Summary: The paper presents different actions undertaken by organisations that base on the aspect of experience sharing and it indicates when that approach would be applicable to gain attention and involvement of different groups of interest. The discussion in the paper is based not only on critical analyse of literature but also presents wide range of research on the topic of social media popularity, experience sharing, and Polish digital media customer profiles as well as results of the research conducted by the author among students of Czestochowa University of Technology.

Keywords: collaborative economy, sharing economy, digital consumers, digital natives

1. Introduction

Internet and its accessibility enable users to consume together, share thoughts, opinions, facts concerning their private and professional lives in the scale and with easiness that have not been accessible so far. Information and communication technologies development influence interpersonal contacts, determine consumption patterns, including ways of information gathering during purchase processes. Customers share their hobbies, points of view, interests and also get involved in movements or initiatives as experience sharing.

The paper is aimed at presentation of different aspect of experience sharing and its key elements that must be considered when marketing strategies are planned especially the ones addressed to new digital customers.

The discussion is derived from the collaborative economy idea as a new tendency that results in many new occurrences in the market, including sharing economy.

2. The concept sharing economy as an aspect of collaborative economy

The concept's of collaborative economy popularity has been increasingly growing in recent years. Collaborative economy may be defined as 'an economic model where ownership and access are shared between corporation, startups, and people. This results in market efficiencies that bear new products, services, and business growth' (Owyang 2013). The collaborative economy concept bases on *many-to-many* model instead of *one-to-many* model that has been describing business and customers activeness for many years. The *many-to-many* approach is possible to be spread among different groups of customers because of intensiveness of new interactive media development. The research conducted by Altimeter indicate that there are three groups of factors that have derived and enabled collaborative economy:

1. Societal: increasing population density – accessibility of more people meaning accessibility of more points of supply; drive to sustainability by reselling, renting, co-owning and gifting; desire for community – people want to bypass companies to transact with each other; generational altruism –sharing finite resources or 'paying it forward';
2. Economic: monetization of excess or idle inventory – using resources not used at the moment by owners; increase of financial flexibility as result of growing numbers of

freelancers and micro-entrepreneurs; access over ownership – in case of specialists or luxury products they become accessible by rental for example; influx of VC funding – as research indicate VC funding accelerate the growth of some industries;

3. Technological: social networking; growing popularity of mobile devices and platforms; payment systems basing not only on monetary exchanges but digital reputation (Oweyang 2013).

Nowadays communication tools enable the process of consumption in the dimension that was not available before. According to Buczynski (2013) the collaborative consumption ‘is a new way of living, in which access is valued over ownership, experience is valued over material possessions, and "mine" becomes "ours," and everyone's needs are met without waste. (...) the beauty of the sharing economy is that it is free, so anyone can participate and make a difference. No one has to sacrifice their individuality or comfort. Best of all, when we're actively engaged in sharing, personal connections are rekindled and we become invested in our communities again’. Thus within the process of exchange between buyers and sellers also changes have occurred as result of collaborative economy (table 1). The basic ideas related to transactions are interpreted slightly different because of the impact of collaborative economy.

Table 1. Interpretation of transactions in collaborative economy

sell	Not new but more and more individuals are empowered to provide goods directly to customers online
resell	For payment, a seller offers used products
rent	For payment a provider offers a product for use
subscribe	For a recurring payment, a provider offers repeat products
co-own/co-op	Two or more own or share a product together. Applies to individuals and business
invest/loan	Consumers become investors or banks, or invest in or lend directly to each other
swap	For no payment or a nominal fee, two parties trade goods or services directly
lend	For no payment or a nominal fee a ‘gifter’ provides a product that will be returned
gift/donate	For no payment or a nominal fee a ‘gifter’ provides a product to a receiver. Reciprocation may be a requirement.

Source: (Oweyang 2013)

Sharing is one of key elements of collaborative economy. There are many ways that sharing economy may be introduced. Customers share things they do not use at the moment (‘share your couch’, bookcrossing), they consume together (travel together: blablacars.pl) or split payments (FairSplitting, e.g.). In the model of sharing economy people possess sources without intercede of inefficient corporations, search for alternatives to established channels of distribution and even change inadequate legislation (Oweyang 2015). The research conducted among students of Czestochowa University of Technology¹⁹ indicate that students share things quite frequently (82% declare they share things that they do not use at the moment) - mostly books, clothes and games.

¹⁹ The research were conducted on the group of 100 students using the random way of sampling. The quantitative research (auditorium questionnaire) were complemented by qualitative research – interviews on the topic of sharing and its different dimensions, including sharing of experiences.

3. Digital customers

The changes mentioned above have taken place because societies evaluate. The ones present in internet change its nature. In Poland internet users represent Y Generation (30%) and Digital Natives also called Z Generation (23%) mainly (Fas 2015). Reports on Polish digital customers behaviour indicate that they want to participate in different societies and to learn opinions of other customers. They expect dialogue, openness and flexibility and situation when not rules but their preferences and expectation determine offers (ShoppingShow 2014). Nowadays market is shaped mainly by behaviours of new customers - Digital Natives who grew up in the environment where internet was present so they have been functioning in virtual reality since they were born. In consequence they prefer graphic forms of communication and without internet they feel lost. They follow many parallel stories at the same time. Internet is their natural environment and they need to feel linked in. They expect immediate satisfaction. They like playing games online (Kedzierski, 2012). Greenfiel indicate that their 'thinking skills enhanced by repeated exposure to computer games and other digital media include reading visual images as representations of three-dimensional space (representational competence), multidimensional visual-spatial skills, mental maps, mental paper folding (i.e. picturing the results of various origami-like folds in your mind without actually doing them), inductive discovery (i.e. making observations, formulating hypotheses and figuring out the rules governing the behavior of a dynamic representation), attention deployment (such as monitoring multiple locations simultaneously), and responding faster to expected and unexpected stimuli (Prensky 2001). Multitasking that is characteristic for the group enables them to follow a few plots at the same time. They can easily find any information that they search for (Pawlowska 2014). As consequence it's hard to attract and maintain their attention. They expect excitement and being taken aback during shopping.

The research conducted among students of Czestochowa University of Technology - typical digital customers indicate that they use social media frequently to share wide range of information. Most frequently they share information about places they visit, photos they took, hobbies and activities they perform with their friends. Quite surprisingly they are not eager to share the photos and films published by others, 1/3 of them does it, if they are asked to do so or if they like it so much that want their friends to see it. More than 25% search for people to perform some interesting activities through social media – rarely (no more than 9%) search for people to go out or to travel with in social media. Students indicate that they generally do not use social media to boast but at the same time they indicated during interviews that is one of the determinants of social media activeness of their peers.

4. Experience sharing initiatives

In that part of the paper some of interesting initiatives that base on sharing are presented. They were introduced in Poland by different types of organisations but in all situations they were aimed at engaging participants in new experience and initiate exchange of experience in social media. Their goal was to promote the organisers by involvement of participants and spreading information among potential users.

One of Polish publishing houses announced the competition where participants should take a photo of one of the books published (the book concerned the topic of digital photography) and were asked to publish the photo on their wall on Facebook. The most interesting arrangements were to be rewarded. The goal of the campaign was quite obvious – to reach the group of photographs and promote the book among their "friends" some of whom probably share the same hobby. Another example of the experience sharing aimed also on commercial purpose comes from Zielona Gora. Participants were asked to visit one of the local shopping centres

and find the billboard with photograph of players of the local basketball team. After taking the photo with the billboard in the background the contestants were asked to publish it on their wall in Fb and indicate the localisation of the shopping centre. The first 10 people were rewarded with some special packs of club gadgets, the rest received stickers on cars and other small gadgets of the sport club. Bloggers, inspired by companies, use experience sharing method to propagate products. For example on one of the blogs addressed to mothers its author proposed readers to watch the trailer of the film for children that was going to be shown in cinemas soon after and discuss with kids their scenarios for play with the characters from the movie. Later mothers were asked to described the scenario as comments underneath the announcement about the competition. Some gadgets from the film and tickets were planned for the best descriptions. It was another interesting example of involving people to share experience to promote a product. Also local governments promote their offers using the tool of experience sharing. The city of Gdynia promotes bicycles as an alternative forms of transport for inhabitants. The city hall organised a competition that enables bicyclists to send photos of: bike lanes that are most frequently attended by them, things that must be carried when cycling. The photos were to be send to e-mail address and winners were tempted with rewards including different bike accessories. In the program local bloggers were involved and they created the challenges (topics of tasks) for participants. In Poland there were also many social campaigns that encourage experience sharing. One of the most popular was the campaign aimed at preventing stereotypes concerning rapes. Men were asked to wear dresses, take photos and then publish them in social media with the note: “Jesli kobieta wkładając spódniczkę zaprasza do gwałtu, to ja też zapraszam (“If a woman wearing a dress invites a rapist, let me invite one”). The idea behind that type of actions (as world widely known Ice Bucket Challenge for example) is to draw attention to the problem by experiencing something new and sharing the experience.

The students of CUT who participated in the research on sharing cited above indicated that they would participate in new experience sharing activities because of (in order of indications – from the most important one): interesting goal of the action (e.g. charity), their friends’ participation, novelty of experience, awards and popularity of the action.

That elements may be a kind of indication for marketers who plan experience sharing event. It definitely should have a goal that would be attractive and this attractiveness is not measured by awards what is understood as behaviour of that group is aimed at gathering experience instead of gathering things. Though it must be remembered that as researcher indicate extraordinary experiences are not something what can be easily shared and they can cause the feelings of alienation and not fitting – the social costs excel benefits from the experience (Cooney, Gilbert&Wilson 2014). At the same time “ordinary” experiences become more valuable if they are shared with others (Boothby, Clark & Bargh, 2014).

To sum up it may be assumed that experience that marketers want customers to participate in and share must represent values and benefits that target groups expect and find interesting. Apparently addressees may not expect awards in traditional form, but they may desire for new experience, realisation of the goal that is important to them and popularity of initiative among their friends.

5. Conclusions

The discussion in the paper was focused on the area of sharing experience as a tool for marketers to reach groups of customers and inspire their advocacy. That activeness was shown as an element that can be used effectively especially that communication technologies have changed and new opportunities have occurred.

Sharing new experience may be an alternative (or rather complementary) element in promotion of offers, especially in markets of X and Z generations. Polish social media users research provide another base for the assumption. Polish social media users perceive themselves as independently thinking individuals who experience different things as first ones and are asked to share their opinions (Euro RSCG 2010).

Moreover sharing experience is a tendency that, although require more efforts from organisations, directly relate to expectations of nowadays customers, including digital natives. The strategy of experience sharing should be aimed at customers who are the most valuable for organisations – their involvement is important for organisations and their opinions are advantageous (opinion leaders, e.g). This way the basic assumption of relationship marketing basing on awareness and involvement of the most valuable customers would be performed. Especially that, as the authors of the Report by Euro RSCG and IMAS International indicated, organisations tend to perceive social media as a tool of mass communication while not the number of contacts but their quality matters.

As discussed collaborative economy and sharing economy as its aspect, may be indicated as one of the trends that influence customer behaviour nowadays. People tend to share the experiences more often and tend to exhibit different elements of their lives more openly. That phenomenon may not be ignored when marketing strategies are being planned.

References

1. Boothby E.J, Clark M.S., Bargh J.A. (2014): Shared Experiences Are Amplified, *“Psychological Science”*, 25(12), p.2209-2216.
2. Buczynski B. (2013): Sharing is Good: How to Save Money, Time and Resources through Collaborative Consumption, New Society Publishers.
3. Cooney G., Gilbert D.T., Wilson T.D. (2014): The Unforeseen Costs of Extraordinary Experience, *“Psychological Science”*, 12, p.2259-2265.
4. Euro RSCG (2010): KNOW. Konsument w mediach społecznościowych, <http://interaktywnie.com/public/upload/data/Konsument-w-mediach-spoecznościowych.pdf>.
5. Fas A. (2015): Internet w Polsce IX-XI 2014, <http://www.egospodarka.pl/119202,Internet-w-Polsce-IX-XI-2014,1,12,1.html>.
6. Owyang J. (2013): The Collaborative Economy, <http://www.slideshare.net/Altimeter/the-collaborative-economy>.
7. Owyang J. (2015), *Liberals and Conservatives Both Love and Loathe the Sharing Economy*, “The Wall Street Journal. Business.”, 20.02.2015, <http://blogs.wsj.com/accelerators/2015/02/20/weekend-read-liberal-and-conservatives-both-love-and-loathe-the-sharing-economy/>.
8. Pawłowska M. (2014): Generacja Z. Młodzi, otwarci, wychowani w dobrobycie, żyjący w świecie wirtualnym, skazani na kryzys, <http://natemat.pl/55617,generacja-z-mlodzi-otwarci-wychowani-w-dobrobycie-zyjacy-w-swiecie-wirtualnym-skazani-na-kryzys>
9. Prensky M. (2001): Digital Natives, Digital Immigrants, Part II, <http://www.marcprensky.com/writing/Prensky%20-%20Digital%20Natives,%20Digital%20Immigrants%20-%20Part2.pdf>
10. ShoppingShow (2014): Zwyczaje zakupowe konsumenta digitalnego. Badania jakościowe, http://www.shoppingshow.pl/raporty/ShoppingShow_2014_RAPORT_zwyczaje_zakupowe_konsu-meta_digitalnego_q.pdf

SHORT COMMUNICATION: THE EFFECT OF SOCIAL MEDIA ON CUSTOMER BEHAVIOUR

Seyyed Amir VAFAEI, Mária FEKETE FARKAS

Szent István University, Gödöllő, Hungary

E-mail: S.A.Vafaei@gmail.com

Summary: One of the most important marketplace for the transactions of goods and services is the internet. The internet usage has been increasing and so does the transactions through internet. It is important to consider, that the internet buyers have different approaches to buying and their responses to marketing from the traditional offline consumers. In fact, in these digital era days marketing needs to change. It needs to adapt in developing brands and improving customer relationship through online marketing channels. The firms need to engage more in social media, since, more customers are engaging in social media. Thus, in this paper we want to demonstrate the effect of social media on consumer behavior. This outcome of the study can be utilized by the firms to enhance their output.

Keywords: Social media, Consumer behaviour, Internet marketing, E-Commerce

1. Introduction

Nowadays, it is really appreciating to witness the wealth of new digital technologies, direct marketers can communicate with consumers, anywhere, at anytime and about anything. E-commerce became one of the most controversial topics in most of the business journals. Also you can find the specific journals which focus on e-commerce such as Journal of Electronic Commerce in Organizations.

Also, the overwhelming internet recognition has brought in various online social networks or web communities. Numerous autonomous and commercial web sites have increased, giving consumers a medium for congregate, socialize, and exchange views and information.

There are two ways marketers can engage in online communities, partake in existing web communities or by setting up their own. The best would be to join the existing network. However, there are challenges present while participating in the existing online social network. Firstly, the effective use of the existing online social network are on experimenting stage, and the results are hard to measure. Secondly, these online networks are largely user controlled. The company's aim is to promote their brand. However, it is not so simple for the marketers to start interacting with consumers, since they need to earn the trust (Kotler and Armstrong, 2012).

This paper begins with an explanation of terminology that defines marketing and social media marketing. Also, it will analyze literature on social media and present its effect on consumers, and will highlight the advantages and disadvantages of these effects.

2. Social Media Marketing

There is one thing common with the successful companies nowadays. These companies are strongly customer focused and heavily committed to marketing. In fact, these companies are ready to understand and fulfil the customer needs. Marketing deals with the customers, similar to any other business function. In every marketing definition, the significance of customer relationship and firms can be noted. For instance, Kotler and Armstrong (2012) define

marketing as the process by which firms create good relationship with customers, to lure value from customers in return.

Social media are the websites which bring millions of users with the same interest from the globe. Some examples of most popular social media are Blogs, YouTube, Myspace, Facebook. There are various reasons people use social media (Sin, Nor, and Al-Agaga, 2012). Mostly, the people want to maintain their relationship with relative or friends/colleagues. The online users of social media have gained social support, friendship and intimacy from establishing and maintain contact with other users (Dholakiaa, Bagozzia, and Pearo, 2004). In addition, the social media website has provided a platform for the businesses to connect and network with the potential consumers, and build relationship with them (Mersey, Malthouse, and Calder, 2010). E-commerce can be built through social media, which in turn can connect to more potential buyers.

The online shopping is a process of electronic commerce, as, customer directly contact e-vendors and purchase goods and services from an online store (Chaffey, 2009). The process of gaining attention through social media sites is called social media marketing (Trattner and Kappe, 2013). For instance, social network such as, Facebook advertise with information about the likes and dislikes of the customers and assist the firms to learn more about customer needs.

3. Social Media and Consumer Behaviour

It is important for the retailers and marketers to know about the factors affecting the consumer attitudes and motives, since, consumers are aware about the brands (Heinonen, 2011). These days there is a vast change in communication technologies and has been related to user participation. Thus, more customers engaging with social media should encourage firms to engage with social media as well. The marketing communications are incorporating with digital space, marketers can link with the customers using social media (Tiago and Veri'ssimo, 2014).

This century is the age of social commerce and it has two most important potential challenges for firms:

1. The ability to generate and leverage deep customer insights;
2. Managing brand and reputation in a marketing environment where social media plays an important role;

In this digital era, large data have become the norm. Large data provide more chance to follow customers, for instance, following customer from the orientation on a product to purchase and even to becoming loyal to the product. Following of the customer journey efficiently is a key component to perfect advertising campaigns and budgets. The most important benefits that companies wish to obtain from the customer data analysis are that; these data drive sales volume, induce innovation, and enhance customer engagement also through the creation of stronger brand loyalty.

The social network affects people through complex interpersonal influences. These can be conscious or unconscious, active or passive, normative or informative. These social networks provide an opportunity for consumers to advertise their perceptions of the purchased products and create a network of communication.

Creating brand fans and investing in social media by managers, have a positive effect on the firm word of mouth and loyalty. The brand reputation of companies is controlled by the social media, though, they are struggling to measure its real impact. One of the most important tension perceived, is that the role of social media playing in managing brand health and reputation (Leeflang *et al.*, 2014).

Building consumer trust is the main factor to achieve success against competitors (Pavlou and Fygenson, 2006). Nowadays, there are a lot of advertisements on the internet, also lots of comments criticizing brands and products, so it is hard for people to decide and trust. Social media can play an important role here, where firms can build consumer trust and advertise their products.

According to Edelman (2010), two-thirds of respondents from 2100 companies, were using social media, many perceived that it was still an experiment with blurry future. Only 7% successfully integrated social media into their marketing activities. Social media can improve the design and promote of brands and has the capability to do this on an enormous scale, as, the consumers are skillful in controlling and influencing marketers through its use. Consumers not only control the information, but, also pass information to others if they find useful or interesting. Furthermore, social media has the potential to provide information very easily, and to move it, and to magnify it.

Consumers get information through their peers, thus, limiting the power of advertising, and making it challenging for the companies to justify large upfront investments. Social media has made consumers more demanding and discriminating. This shows the power has shifted in their favour, and they can insist marketers to provide their specific needs. Also, communication built by the consumers influences the target market and creating of the product and its delivery. Consumers would most likely respond if their specific needs are met and social media acts as a medium for sharing information about brands that best suits ones needs (Kohli, Suri, and Kapoor, 2015).

Shopping has always been a social experience and social media provides an opportunity for consumers to communicate with individuals—many of whom are likely to be strangers. The informational society influences affects the consumer decision processes and product evaluations. As discussed earlier, social media provides the power to the consumers to influence other buyers through the evaluation of the products or the services. Social networks can play a key role in influencing the behaviour of consumers in the digital environment. The social sites are considered as valuable and reliable source for researching products and services (Ioană and Stoica, 2014).

4. Conclusion

First, it seems necessary for firms to enter e-commerce, also using social media marketing and establish an internet marketing campaign to decrease the likelihood of collapse in the digital era.

Secondly, social media sites are a great platform for the retailers to create an experience and the information stored on the sites can be used to enhance user experience with their brand. Also, the awareness of the retailer's brand can be achieved by being creative when engaging customers on the social media sites.

In addition, retailers must go beyond the advertising aspects of social media sites and need to be more creative to communicate with consumers. Also, retailers need to enter their brand to the people's conversation instead of just one way communication.

Furthermore, people rely more on information from the other people who leave a comment on social media. Thus, firms should follow the customers' comments about their product and when they notice a lot of people complain about a specific issue, try to solve the problem and sometimes ask the customers to give them some solutions or comments.

Last but not least, the consumers buying behaviour through the internet has changed, since, the advent of social media. People search for product's information and features through social media before purchasing. it seems useful that firms provide adequate information about their products before other companies and people talk about them and criticize them.

References

1. Chaffey, D. (2009). *E-Business and E-Commerce Management Strategy, Implementation and Practice* (4 ed.). Harlow: Pearson Education.
2. Dholakia, U. M., Bagozzia, R. P., & Pearo, L. K. (2004). A social influence model of consumer participation in network- and small-group-based virtual communities. *Intern. J. of Research in Marketing*, 21, 23.
3. Edelman, D. C. (2010). Branding in the digital age. *Harvard Business Review*, 88(12), 62-69.
4. Heinonen, K. (2011). Consumer activity in social media: Managerial approaches to consumers' social media behavior. *Journal of Consumer Behaviour*, 10, 356-364.
5. Ioană, E., & Stoica, I. (2014). Social Media and its Impact on Consumers Behavior. *International Journal of Economic Practices and Theories*, 4(2), 295-303.
6. Kohli, C., Suri, R., & Kapoor, A. (2015). Will social media kill branding? *Business Horizons*, 58, 35-44.
7. Kotler, P., & Armstrong, G. (2012). *Principles of Marketing* (14 ed.). New Jersey: Pearson Education.
8. Leeflang, P. S. H., Verhoef, P. C., Dahlström, P., & Freundt, T. (2014). Challenges and solutions for marketing in a digital era. *European Management Journal*, 32, 1-12.
9. Mersey, R. D., Malthouse, E. C., & Calder, B. J. (2010). Engagement with Online Media. *Journal of Media Business Studies*, 7(2), 18.
10. Pavlou, P. A., & Fygenson, M. (2006). Understanding and predicting electronic commerce adoption: An extension of the theory of planned behavior. *MIS Quarterly*, 30, 115-143.
11. Sin, S. S., Nor, K. M., & Al-Agaga, A. M. (2012). Factors Affecting Malaysian young consumers' online purchase intention in social media websites. *Procedia - Social and Behavioral Sciences*, 40, 7.
12. Tiago, M. T. P. M. B., & Veríssimo, J. M. C. v. o. (2014). Digital marketing and social media: Why bother? *Business Horizons*, 57, 703-708.
13. Trattner, C., & Kappe, F. (2013). Social Stream Marketing on Facebook: A Case Study. *Int. J. of Social and Humanistic Computing*, 2, 86-103

MOVIE VIEWING HABITS OF UNIVERSITY STUDENTS

Ádám HORVÁTH, Balázs GYENGE, Georgina RÁCZ

Szent István University, Department of Marketing Methodology, Gödöllő, Hungary

E-mail: adam.sasu@gmail.com

Summary: This paper aims to analyze a pilot study that was conducted with university students regarding their movie viewing habits, focusing on the various influences and sources of information that have an effect on their choices concerning both the methods of viewing movies and the selection of certain movies as well. Among its main results is the general disregard to traditionally highly regarded influences like movie awards or information aggregation websites (such as the Internet Movie Database for example), the overwhelming dominance of piracy when it comes to current movie viewing trends and some of the main expectations concerning legal movie streaming services (which could turn them into viable alternative options).

Keywords: consumer behavior, culture, movie consumption

1. Introduction

Universities play a very important role in every society, while their enrolled students appear as an accessible and large population, which could be considered appropriate subjects to study. Furthermore, they are a target market that watches a great amount of movies each year according to SMRB data (young people generally tend to be more frequent moviegoers, as MPAA statistics show the 18-24 and 25-39 are the two largest frequent-moviegoing age groups, representing 31% of the US population). Movie theatres and “home cinema” generally play a large part in the life of university students as previous studies that aimed to divide their free time showed (Ságvári, 2009). Unlike the 80's, where it was generally close to imaginable that university students would watch movies that were made for general masses – as opposed to art films –, they prefer larger multi screen movie theatres to smaller art cinemas (Varga, 2005). On another note, we could say that we live in the new age of digital multimedia where movie distribution is facing major changes as well as the general methods of how the customers garner information (or try to measure the value of a certain title), especially when it comes to the internet (Deák, 2008). While the greatest challenge of the industry is often perceived to be piracy, a lot more could be gained if the focus shifted to accommodate the changing demands and to try and offer competitive alternatives instead, especially so as by the time university students graduate, they already represent a significant buying power and reaching them in time may lead to decades of loyal customers.

The aims of the study are to provide a brief overview of some factors that affect consumer behaviors concerning movies, which is followed by the results where the main influential information sources and indoor/outdoor movie related choices are examined.

2. Factors affecting consumer purchases

2.1 Defining changes of technology

As we witnessed the slow regression of art cinemas and the decline in viewership of multi screen movie theatres (when it comes to yearly grosses, the Hungarian movie theatres eventually recovered, though it is not an easy task to keep track as three years of data is

missing from the statistical records (Nemzet Média- és Hírközlési Hatóság, 2015)), which was empowered by the slow shift of scenery, as more and more people started to watch movies from the comfort of their homes. As for home cinema, the greatest change came in the form of the digital revolution, beginning with the lightning-fast spread of the DVD (Lobenwein and Pápai, 2000), then later on with the widespread of – the practically limitless – broadband internet connection. Data from 2014 show 74% of the population of Hungary as internet users, while the whole of Europe has an internet penetration of 70,5% (Internet World Stats, 2014).

2.2 Group dynamics and attitude

Consumer behavior is greatly affected by their immediate environment, especially those groups that one is, or would like to be a member of (Hofmeister-Tóth, 2006). The need to identify with a group may have an influence similar to the classical choices of products or brands in the case of choosing a certain movie to watch as well. Sorting by the extent of influence coming from the group (Bearden and Etzel, 1982), movie watching can be placed in both the visible and the invisible (or hidden) consumption groups.

While attitudes are known to have a direct influence on our behavior, the ability to react on these attitudes should be highlighted as well. Even with a positive attitude towards a movie, the individual's financial status or simply the movie's availability (as it might be disregarded by local distributors) could deny the purchase of it. In these instances the only option left for the consumer is to download it from the internet (which might appear in a specifically high number of suppletory downloads (Bodó and Lakatos, 2009)).

2.3. Online black market and piracy

In parallel with the aforementioned spread of broadband internet connection in Hungary, the traffic of download sites is growing as well. In the past couple of years Hungarian torrent sites' user base has been constantly growing (though thanks to their private nature, the pacing is quite slow). University students especially are getting largely accustomed to file sharing, ultimately becoming more choosier consumers in the process, as they are more likely to base their value calculations and purchases around the availability of free content and previewing media via file sharing (Jones, 2002). All the while, as a previous study has pointed it out, free access to content raises the interest in cultural products, ultimately widening the industry (Oberholzer-Gee and Strumpf, 2009). Adapting to the modern culture consumption trends proves to be quite a challenging task for media industries (especially so as they are still mostly occupied with trying to minimize losses and try to fight legally against pirate sites), even with positive examples (like the music industry) already up and running, with methods that could aid to turn the phenomenon into an advantage. This is where the various forms of legal online movie distribution systems could enter the picture, which however still have to overcome many obstacles ahead of them. Among these it should be highlighted that in many cases, the legal downloads' price tags are completely identical to movies that are sold in ordinary brick and mortar stores, even though the physical data carrier (together with all of the cost associated to their production) is removed from the equation (Bodó and Lakatos, 2009).

3. Material and Methods

The quantitative research of the pilot study was conducted with the aid of questionnaires. The survey instrument took between five to ten minutes to complete, contained only closed

questions, grouped into five sections, covering the respondents' movie viewing frequency, information gathering methods, movie viewing habits, attitudes and demographics.

The target group was made of movie consuming university students recruited at Szent István University, during the fall semester of 2014. The questionnaires were filled out by 112 respondents, which after the data cleansing resulted in a sample of 108. The sample consisted of 67,5% males and 32,4% females; 9,26% of the respondents were younger than 20, while the majority was between ages of 20 and 24 with 65,74%, while the rest of the respondents (categories of people aged 25 and above) were 25%. For the analysis IBM's SPSS software was used. It should be noted that because of the method and size of sampling, the study should not be considered representative.

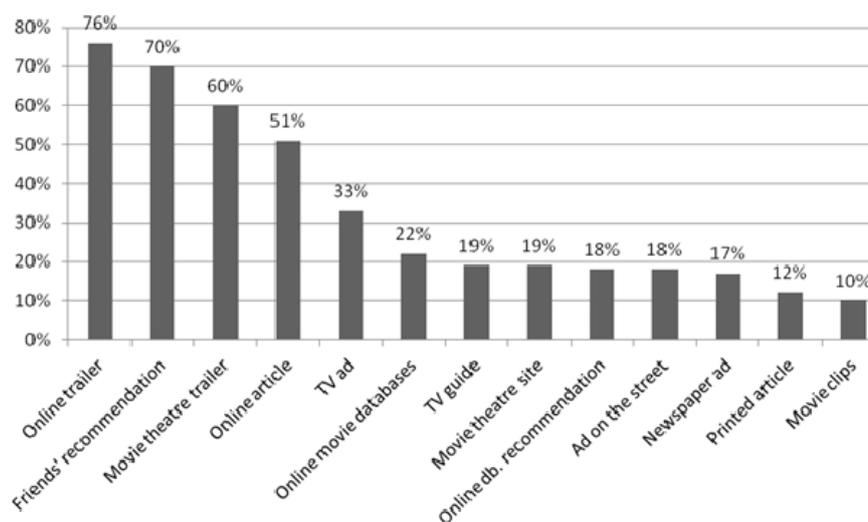
4. Results and Discussion

When it comes to watching movies in movie theatres, most respondents answered that they go with their friends and significant others (73% and 56%, respectively chose these options, in a question where they were allowed to choose multiple answers), while only a negligible ratio of people go alone (only 10%). These support the notion that this particular method represents some kind of community experience, or an "event", where having one's friends for the ride adds another element to the already unique feel of the movie theatre.

On the subject of movie theatres another aspect was how satisfied the respondents were with the pricing of movie tickets. The answers on the statement "I am fully satisfied with the movie ticket pricing" (on a 1 to 5 scaling, where 5 meant that they completely agree with said statement), the mean value was 2,72 with a std. deviation of 1,05 (with the majority of respondents checking the options 2 (26,9%), 3 (33,3%), and 4 (22,2%), with a variation coefficient of 0,39). This result while does not justify to state that that they are not satisfied with the current prices, it does show that they are rather tending more for the middle ground and are actually just accepting the current pricing, they "settle" for it.

Moving on to information gathering, the participants were asked what sources of information they most commonly use to search for movies (they were allowed to mark multiple answers). The exact results can be seen in Figure 1.

Figure 1: Percent of usage of each sources of information (%)

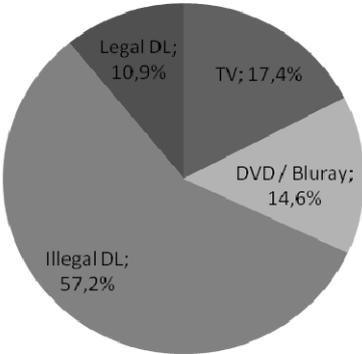


Source: Own elaboration based on the responses of the participants

While some traditionally highly regarded options like online movie databases (i.e. IMDb and the likes) and their recommendations were mostly neglected, the most popular choices were the online movie trailers (which represents how important the internet is, with movie trailers being just a click away) and the recommendation of friends (representing the importance of group dynamics and opinion leaders). To expand on the latter, the respondents were asked, how likely it is that they recommend a movie they liked to their friends, which got the mean value of 4,56 (with a std. deviation of 0,66), highlighting the importance of word-of-mouth marketing (it should be noted however that the respondents were somewhat more reluctant to share their ill experiences, which got a mean value of 3,82 with a 1,15 std. deviation).

As a semi-related subject, the respondents were also asked how they feel about movie awards (another generally highly regarded measures of quality). The results came in somewhat shocking, as the participants showed quite low interest in them, the statement about checking the list of awarded movies after the ceremony got a mean value of 2,29 with a std. deviation of 1,37 (with the majority of respondents checking the option to never actually do that with 43,5% checking option 1, with a variation coefficient of 0,6), while the one about looking up if a certain movie got any awards before watching them got a mean value of 1,88 with a std. deviation of 1,08 (again, with the majority of respondents checking the option to never actually do that with 49% checking option 1, with a variation coefficient of 0,58), which all in all implies that movie awards in general are not a defining factors in the evaluation of movies. When it came to the act of watching movies at home, the respondents had to treat all of their movie watching (conducted in their homes) as 100%, then divide that among the various methods of doing so, the exact results are shown in Figure 2.

Figure 2: Repartition of home cinema (%)



Source: Own elaboration based on the responses of the participants

The results show that home cinema is mostly (57,2%) done by pirated versions of movies, which based on previous experiences did not come as a surprise. Seemingly the ever-accessible free content is far ahead of both the "free" television-aired movies (that are continuously interrupted with ad breaks and are not necessarily aired in the right time slot for everyone) and the purchased (be it online or in a brick and mortar store) ones.

If however they were to switch to a system of legal downloading (or streaming), the most desired features would be the high quality of sound and picture (with a 88% of respondents marking this answer in a question with multiple possible answers) with comfortable and practical usability at close second (78%). This result showcases the high standards that they have gotten used to with pirated contents (as evidenced by the eviction of poor quality CAM recordings and the like from most pirate sites), though there is still room to improve for legal methods with the ease of use appearing as a possible huge advantage to pirates (where it is

quite troublesome to find the right versions to watch, with possibly spending even more time to find the matching subtitles in case no dubbed audio tracks are available).

5. Conclusion

When it comes to the selection of movies, the main information source is the internet, primarily in the form of online movie trailers. The search for these is practically the first step that follows hearing about a new title, be it a news article from some movie related website or a recommendation that comes from a friend. The latter information source is also decisive in nature, as university students are still greatly influenced by groups and opinion leaders. This is reflected mainly in the continuous information exchange between friends (mostly in the form of suggesting positively viewed movies to each other) and that most of them do not visit movie theatres alone. Even though this is a relatively rarer occasion to watching movies in their homes (which however is something they mostly do alone), it is best as a sort of special, event-like activity.

All the while it seems clear that university students are generally not satisfied with the current pricing of movies, though the ticket prices of movie theatres do appear as a general point of reference. In the case of home cinema, however, the high prices and subpar features turned most to illegal downloads (with a special mention to the seemingly free television as another movie viewing platform, which is plagued by the constant disruptions of ad breaks and the strict schedule of TV stations, that may differ from the viewers personal preferences, all in all pointing out that time allocation is a very highly regarded resource as well).

In the case of legal downloads it seems natural to lower the prices of individual movies, as they are missing many costly elements that come from the physical nature of the traditional distribution of movies, like manufacturing, transporting, storing etc. -costs (as after purchasing the right for online download, to give access to the content the providers' only concern is the cost of the bandwidth (which gradually rises as they reach for higher revenue)). All the while they should focus more on improving the qualities and accompanying features of their systems, working towards the goal where it truly is "by a click of a button" to watch any movie legally.

Future studies with higher sample sizes should consider more deeply the reasoning behind why university students might still prefer the illegal methods to obtain movies when legal alternatives are presented as well (apart from pricing) and what other not yet implemented and tested features could be desired by them (that could elevate the home cinema services above piracy as it did in other industries). Additionally, to examine the reasons behind their behavior and view on the general worth of movies, lifestyle and general attitude towards movies (and other forms of related media) should be taken into consideration.

References

1. Bearden W. O. – J. Etzel M. J. (1982): Reference Group Influence on Product and Brand Purchase Decisions. *Journal of Consumer Research*, Vol. 9 No. 2, p. 183–94. Retrieved from <https://www2.bc.edu/~woodsjar/nov%20%20reference%20grp.pdf> (accessed 2015.04.10)
2. Bodó B. – Lakatos Z. (2009): A filmek online feketepiacja és a moziforgalmazás. *Szociológiai Szemle* Vol. 21 No. 2, p. 111–140. Retrieved from http://www.szociologia.hu/dynamic/szocszemle_2011_2_111_140_bodo_lakatos.pdf (accessed 2015.04.10)
3. Deák, D. (2008): A világháló Lumière-jei. *Filmvilág* Vol. 51 No. 1, p. 44–45.
4. Hofmeister-Tóth, Á. (2006): *Fogyasztói magatartás*. Aula Kiadó, Budapest, p. 90–111.

5. Internet World Stats (2014): Internet Stats and Facebook Usage in Europe 2014 Mid-Year Statistics. Retrieved from <http://www.internetworldstats.com/stats4.htm> (accessed 2015.01.06)
6. Jones, S. (2002): The Internet Goes to College: How students are living in the future with today's technology. Pew Internet & American Life Project
7. Lobenwein, D. – Pápai, Zs. (2000): Digitális forradalom. Filmvilág Vol. 43 No. 2, p. 45–46.
8. Nemzet Média- és Hírközlési Hatóság Nemzeti Filmiroda (2015): Mozgóképzakmai statisztika. Retrived from <http://nmhh.hu/tart/index/1466/Statisztika> (accessed: 2015.04.12)
9. Ságvári, B. (2009). Fanta TrendRiport VI.: „Múzsák vonzásában” Kultúra- a médiafogyasztási szokások a fiatalok körében. Retrieved from http://campuslet.unideb.hu/dokumentumok/tanulmanyok1/fantatrendriport6_091026062651.pdf (accessed: 2015.04.10)
10. Simmons Market Research Bureau (1996). Study of Media and Markets. New York.
11. The Motion Picture Association of America (2015). 2014 Theatrical Market Statistics. MPAA. Retrieved from <http://www.mpa.org/wp-content/uploads/2015/03/MPAA-Theatrical-Market-Statistics-2014.pdf> (accessed: 2015.06.05)
12. Varga, D.(2005): Színház helyett multiplex. Népszabadság, Április 13. p. 5–6.

EXTENDING TOURISM'S ROLE IN THE TOURISM - MEDITATION - CREATIVITY-INNOVATION - SUSTAINABILITY TRAJECTORY

Attila LENGYEL

College of Szolnok, Szolnok, Hungary

E-mail: latila@t-online.hu

Summary: The present paper attempts to show that global and regional trends, the tourism context's profound influence of certain psychological characteristics and the pressing challenges of sustainability constitute a constellation very favourable for extending tourism's role in the tourism-meditation-creativity-innovation-sustainability trajectory in Hungary. Viewing the trends for meditation (mindfulness) and meditation based tourism products globally and regionally the business rationale for launching these types of products seems obvious for tourism service providers. The challenging issues of sustainability locally, regionally and globally and meditations proven efficiency in boosting creative and innovative performance and sustainable behaviour, however, shift the emphasis from the question „Can more tourism revenues be generated by offering meditation based services?” to the question „Can the tourism context be utilized more to make people more meditative?”.

Keywords: tourism, meditation, creativity, innovation, sustainability

1. Introduction

In spite of the gigantic amount of scientific literature on sustainability issues published in the last few decades, the numerous local, regional and global conferences, green activist projects, government and corporate efforts, according to Global Carbon Budget (CRB) 2014 report humanity is still on track to worst case climate change scenario (Le Quéré et al. 2014). The climate problem is accompanied by growing global inequality, geopolitical tension, biodiversity loss, population growth issues, land system change and dangerously altered biochemical flows of Nitrogen and Phosphorus. Addressing these issues in the long run will probably require a paradigm shift of the overconsuming modern societies leading to drastic transformation of consumption and production patterns (Zsolnai 2010). In the short run strict legislative measures on a national and global scale seem unavoidable (Cullet 2007). Tourism is a growingly significant factor in the consumption basket of the 21st century global citizen. Forecasts for tourist arrivals issued by the World Tourism Organization (UNWTO) project a 60% increase by 2020. However, these are business as usual (BAU) calculations and may be substantially altered by the possible acceleration of unfavourable socio-ecological processes and climate change, (England et al 2014) warranting much tougher cutbacks than those anticipated this November in Paris (Jacoby and Chen 2014). If tourism is to genuinely contribute to sustainability, de-growth of the sector seems necessary shifting travel patterns from long-haul international travel to more domestic and shorter trips, from quantity to quality (Hall 2014 Clemente et al. 2014). The rising emphasis on quality tourism products fostering self-realization and self-enrichment is a powerful new trend in tourism, especially in its wellness and spa sub-segments. SpaFinder's Trend Report for 2014 refers to mindful (meditative) living as „Über Trend” and the 2015 report's number one trend „Forest bathing” also involves a “mindful” approach.

Innovation is a factor crucial both in the battle and the war against a looming socio-ecological collapse (Motesharrei et al. 2014). Sustainability can be and has to be the main driver of

innovation today. Embracing sustainability as a corporate core value can actually give the organization a solid competitive advantage (Willard 2012). Technological innovation is a crucial factor in stabilizing the global climate (Kriegler et al. 2014). In addition to technological innovation in manufacturing, boosting innovative performance in services sectors (e.g. education) is also vitally important to the cause of sustainability (Ferrari et al. 2009).

Any innovative process presupposes creativity (Chariton 2015). A creative mindset that enables creative thinking and creative action means that one is able to think outside the box (Mason 2006) largely unrestricted and uninfluenced by established patterns of the past. Eric Fromm, German born American psychoanalyst, is quoted to say: „Creativity requires the courage to let go of certainties.” This description of creativity by Fromm is significant because it involves the notion of „letting go”, a focal point in several eastern meditative techniques (Osho 1977). Breaking from certainties and established patterns is possible only if one does not become identified with these old certainties and patterns, that is, when one is in a meditative state. In addition and prior to the „detachment” or „letting-go” attitude, a meditative (mindful) state is also characterised by a „letting be” position allowing non-judgemental and unrestricted emergence of thoughts (Baer et al. 2006). This attitude is also the basis of divergent thinking closely connected with creative thought processes (Runco and Accar 2012). Meditations positive effect on creativity has been empirically tested and proven (Capurso et al. 2014). Meditation has been used by some of the biggest companies to help unleash creative potential of employees. Google’s SIY (Search Inside Yourself) started in 2007 offering employees free in-house meditation sessions has now grown into a global leadership institute (SIYLI) and worldwide mindfulness service for corporations. One quarter of US companies including Apple, Nike, Procter & Gamble and others have been offering some form of meditation to employees to improve performance. In addition to boosting creativity and innovation, meditation is also positively correlated with sustainable behaviour (Amel et al. 2009). The above referenced studies establishing connection between sustainability and innovation, innovation and creativity, creativity and meditation, meditation and tourism support the idea of the trajectory in the title. In Hungary, however, the vast potential of meditation is not fully recognized yet nor in the corporate world neither in academic circles as an area worth serious research efforts. The present study aims to explore hidden potentials to extend tourism’s role in popularising meditation and in turn boosting creativity and innovation.

Six hypotheses were tested:

H1. Openness to new experience is significantly raised when being a tourist.

H2.1 There is a growing trend globally for Google search terms related to meditation.

H2.2 There is a growing trend for Google search terms related to meditation in connection with the major tourist sending countries of Hungary.

H3.1 According to Google Trends data, online interest shown for meditation is relatively high in Hungary.

H3.2 According to Google Trends data, online interest shown for meditation is relatively high in rival neighbouring country destinations.

H4. In tourists’ view Wellness establishments are the best tourism context to introduce meditation.

H5. The level of mindfulness in the target population of the survey is relatively low.

None of these six issues have previously been the subject of scientific research in Hungary. International literature on H1 is sporadic, with very few empirical research. It has been examined by Jani but on a significantly smaller (n=360) sample (Jani, 2014). The relevance of testing H1 lies in the fact that meditation is basically alien to European culture, hence a

considerable level of openness, receptive feminine attitude is required (Osho, 1977) to be able to understand and experience what it really is.

2. Material and method

2.1 Google trends data

Normalised time series data of the relative search volume of search terms for Google and YouTube searches is made available for scientific analysis and can be downloaded in csv format from the Google Trends homepage (www.google.com/trends). Several studies have explored and proved the reliability and predicting power of Google Trends data (Preis et al. 2013). In order to test H2.1 and H2.2 relative search intensity for 110 English search terms about meditation were analysed by fitting regression models to Google Trends time series data for both Google and YouTube searches. The same analysis was done for the term „meditation” for Hungary’s major tourist sending countries and for Hungary in the countries’ own language to test H3.1 and H3.2.

2.2 Web-based survey

Web-based surveys today are a widely used and trusted instrument of data collection in social sciences. The online survey supporting this study was administered through the online research service of Szent István University between 16 March 2015 and 8 April 2015. The survey contained thirty questions designed to explore connections between tourism, meditation and sustainability. Owing to limitations of length this paper cannot reflect on all of them.

The most probable consumer of meditation-based tourism services in Hungary today is the wellness tourist. As it was unfeasible to take a representative sample of wellness tourists (incoming and domestic) in Hungary, a target population expected to possess demographic characteristics similar to the typical wellness tourist described by the literature (Smith & Puczko 2009) was chosen. The target population consisted of all the leaders (principals, directors) at institutions of primary and secondary education in the country. E-mail addresses were obtained from a publicly accessible database. Following a pre-testing with a small sample to assess comprehensibility and length issues 6218 e-mails containing a link to the site of the survey were sent out to all of the institutional leaders. 1474 questionnaires were returned, 995 fully completed which means a response rate of 24% for all returned surveys and 16 % for the fully completed ones. The sample (n=995) is representative of the examined population at a confidence level $c=99\%$ and margin of error $E=0,037$. In addition to the expected similarities in demographic make-up to the typical wellness tourist, there are two arguments why this particular target group is relevant for the present paper. The first, already referred to earlier, is the growing significance of domestic tourism. Domestic tourism recycles money into the economy, creates jobs, and through its lower demand on fossil fuel will probably fit mitigation requirements better than international travel. The questions about tourism related issues in the survey were focused specifically on domestic tourism and the target population was made up of potential domestic tourists. The second argument concerns creativity. Schools should play a central role in facilitating the acquisition and enrichment of creative skills and creative thinking (Robinson 2009) needed for any innovative process. School directors as decision makers can have a profound influence on supporting curricula that fosters creativity. The question used with the five point Likert type scale to test H1 was the following: „ When you travel in Hungary for leisure purposes, do you become more receptive and open to new experiences than in your everyday life?” H4 was tested with a five-item ranking scale and H5 with five five-point Likert type scales. For H5 three questions were

taken from the FFMQ - Five Facet Mindfulness Questionnaire (Baer et al. 2006) with the author's permission and used in a slightly modified form, one from the MAAS - Mindful Attention Awareness Scale (Brown and Ryan 2003) and one was a personal addition.

3. Results and discussion

3.1 Google trends results

Over 90 % of the examined search terms for Google have had an upward trend in relative search intensity in the last four years globally. With YouTube search it is a considerably lower value. However, if we exclude items with no sufficient data the proportion of terms showing an upward trend for YouTube comes close to the value for Google. All six major tourist sending countries of Hungary have had a continuous upward search intensity trend since marked dates both in Google and YouTube for the search term „meditation” (in own language) as shown in Table 1.

Table 1: Search intensity trends for „meditation” in major tourist sending countries of Hungary

Country/guest night %	Germ. 17%	Aust. 7%	UK 6%	Russ. 6%	Ita. 5%	USA 4%
Google	↑ since Feb. 2010	↑ since Aug. 2012	↑ since Dec. 2010	↑ since Jan. 2012	↑ since Jul. 2013	↑ since Jul. 2011
YouTube	↑ since Jan. 2008	↑ since Jan. 2012	↑ since Nov. 2008	↑ since Mar. 2011	↑ since Apr. 2009	↑ since Jan. 2008

Source: own research

As the target population of the web-based survey for this study was domestic, further research is needed with the participation of actual and potential incoming wellness tourists. Upward trend was discovered for „meditáció” in connection with Hungary too. At the same time Hungary's neighbouring countries (other than Austria) either have no analysable data for „meditation” (in country's own language) or if they do, the search trend has been stagnating. These findings have positive implications for the development of meditation based tourism products for both the domestic and incoming wellness consumers in Hungary. H2.1, H2.2 and H3.1 are supported while H3.2 is rejected based on the results.

3.2. Web-based survey results

More than 80 % of respondents opted for the two most positive points on the openness to new experience scale, which supported hypothesis H1. H4 was rejected because out of the five tourism context types, ten times more respondents favoured outdoors nature-related tourism locations as the most suitable for an introduction to meditation techniques than wellness establishments. As a second choice on the ranking scale wellness establishments fared better than nature-related tourism locations but both were surpassed significantly by village tourism locations. For H5 Mean values of responses for two of the questions taken from widely tested questionnaires referenced above were inconsistent with findings of earlier literature, while three including the personally added one yielded results supporting earlier research findings of researches carried out with similar target populations. Testing H5 is relevant because a relatively high level of mindfulness of the target population would serve as a counter argument to launching more meditation based products in the tourism context.

4. Conclusion

The present pioneering research encourages further exploration in the examined areas in Hungary. Owing to the non-probability sample and the exclusion of incoming tourists limited generalisations are possible. The results, however, suggest that the tourism context ensures a high level of openness necessary to learn meditative techniques and certain tourism forms, destinations or accommodation types can be potentially well-suited for introducing domestic tourists to eastern types of meditation in Hungary. Also, with the increasing popularity of meditation there is demand side business potential for meditation based tourism products. Presently only 26 hotels (approx. 1% of commercial accommodations), two cave locations in Abaliget and Szemlőhegy and the Krisnavölgy in Somogyvámos offer some form of meditation (based on online availability of such offers) leaving a lot of space for further product and market development. A larger scale introduction of meditation based products is also supported by the fact that compared with rival neighbouring country destinations Hungary is more receptive to the notion of meditation. Taking into account the various psychological and somatic health benefits validated by clinical research, its positive effect on sustainable behaviour, creativity and the fact that unlike traditional wellness products meditation based products can be taken home and practiced virtually cost-free, even financial support from the government could be considered to boost the launch and consumption of meditation services in tourism on a broader scale. In this way tourism could genuinely contribute to the creativity, well-being and long-term sustainability of the Hungarian population.

References

1. Amel, E. L., Manning, C.M., & Scott, B.A. (2009): Mindfulness and sustainable behavior: Pondering attention and awareness as means for increasing green behavior. *Ecopsychology*, 1(1), p. 14-25.
2. Baer et al (2006): Using Self-Report Assessment Methods to Explore Facets of Mindfulness, *Assessment*, 13(1), p. 27-45.
3. Baer, J. (2009): *Creativity and Divergent Thinking: A Task-Specific Approach*, Lawrence Erlbaum Associates Inc, New York
4. Brown, K.W., Ryan, R.M. (2003): The Benefits of Being Present: Mindfulness and Its Role in Psychological Well-Being, *Journal of Personality and Social Psychology*, 84(4), p. 822-848.
5. Capurso, V., Fabro, F., Grescentini, C. (2013): Mindful creativity: the influence of mindfulness meditation on creative thinking, *Frontiers in psychology*, 4(1020), [online] Available at: <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC3887545/> [Accessed 16 April 2015].
6. Chariton, C. (2015): *Creativity and innovation among science and art: A discussion of the two cultures*, Springer-Verlag, London, p. 1-3.
7. Cullet, P. (2007): Liability and redress for human-induced global arming: Towards an international regime, *Stanford Journal of International Law*, 43A, p. 99-121.
8. Di-Clemente et al (2014): *Slow tourism: An alternative model for local and tourist development in Sustainable Performance and tourism*, Chartridge Books Oxford, pp. 23-37.
9. England et al (2014): Recent intensification of wind-driven circulation in the Pacific and the ongoing warming hiatus, *Nature Climate Change*, 4, p. 222–227.

10. Ferrari et al (2009): Innovation and Creativity in Education and Training in the EU Member states: Fostering Creative Learning and Supporting Innovative Teaching, JRC-IPTS, Office for Official Publications of the European Communities, Luxembourg
11. GWI (2013): The Global Wellness Tourism Economy, Global Wellness Institute, New York, p. 15
12. Hall, M. (2014): Tourism and social marketing, Routledge, Oxon, pp. 193-231.
13. Jacoby, H.D., Chen, Y.-H.H. (2014): Expectations for a New Climate Agreement, MIT Joint Program on the Science and Policy of Global Change, Cambridge USA MA
14. Jani, D. (2014): Relating travel personality to Big Five Factors of personality, *Tourism*, 62(4), p. 347-359.
15. Krieglner et al (2014): The role of technology for achieving climate policy objectives: overview of the EMF 27 study on global technology and climate policy strategies, *Climatic Change*, 123, p. 353–367.
16. Le Quéré et al (2014): Global Carbon Budget 2014, Earth System Science Data Discussions
17. Motescharrei, S., Rivas, J., Kalnay, E. (2014): Human and nature dynamics (HANDY): Modeling inequality and use of resources in the collapse or sustainability of societies, *Ecological Economics*, 101, p. 90-102.
18. Osho (1977): The book of secrets. Harpercollins, UK. p. 3-4
19. Preis, T., Moat, H.S., Stanley, H.E. (2013): Quantifying Trading Behavior in Financial Markets Using Google Trends, *Scientific Reports*, 3(1684), [online] Available at: <http://www.nature.com/srep/2013/130425/srep01684/full/srep01684.html> [Accessed 18 April 2015].
20. Robinson, K. (2006): How schools kill creativity, TED [online video] Available at: http://www.ted.com/talks/ken_robinson_says_schools_kill_creativity [Accessed 18 April 2015].
21. Runco, M.A., Acar, S. (2012): Divergent Thinking as an Indicator of Creative Potential, *Creativity Research Journal*, 24(1), p. 66-75.
22. Smith, M., Puczko, L. (2009): Health and wellness tourism. Butterworth-Heinemann, p. 133-154.
23. Willard, B. (2012): The new sustainability advantage. New Society publishers, Gabriola island, p. 6-26.
24. Zsolnai L. (2010): Boldogság és gazdaság : A buddhista közgazdaságtan eszméi. Typotex, Budapest pp. 8-25.

IMPACTS OF ECONOMIC CRISIS ON HOTEL INDUSTRY – A HUNGARIAN CASE STUDY

Klara MORVAY KARAKAS¹, Emese TATAR²

¹Budapest Business School, College of Commerce, Catering and Tourism, Hungary

²Szent István University, Gödöllő, Hungary

E-mail: Tatar.Emese@gtk.szie.hu

Summary: Tourism and hospitality is one of the world's largest economic activities. It is leading industry in many countries, as well as the fastest growing economic sector in terms of job creation worldwide. In 2006, the sector generated 10.3 percent of world gross domestic product, providing 234 million jobs, or 8.2 percent of total world employment.

The financial crisis which has hit the global economy since the summer of 2007 is without precedent in the post-war history. It has severely impacted on international tourism, causing a decline of 4% in international tourist arrivals and a decrease of international tourism revenues by 6% in 2009. Since tourism has become a major economic engine at a global level, this deterioration had important impacts on various countries, and in particular in developing countries, where the sector has become an increasingly relevant source of income and employment.

After this significant contraction in 2009, tourism rebounded strongly in 2010 and in 2011 the international tourist arrivals and receipts are projected to increase substantially. The hospitality industry is expected to show a sustained recovery in 2012.

According to Gergely Horvath, the President and CEO of the Hungarian National Tourist Office, the financial crisis did not affect tourism in Hungary as deeply as in many other countries. The only reason for that was that Hungary is usually not the priority or main destination for most holidays. Travellers visit Hungary mainly as the destination of their second or third trip.

The contemporary hotel industry has entered a period of complexity and rapid change due to intense globalisation and competition, environmental uncertainties and technological and information's changes and development.

In our study, we describe crisis management in hotel industry, we introduce the situation of the Hungarian Hotel Industry and we analyse the development of companies through a Hungarian case study.

Keywords: hotel industry, crisis, crisis management, occupancy, revenue

1. Introduction

There is no universally accepted definition of what constitutes a crisis. However, it appears that three elements must be present: a triggering event causing significant change or having the potential to cause significant change; the perceived inability to cope with this change; and a threat to the existence of organizations (Keown-McMullan, 1997). Every crisis is unique displaying a remarkable range and variety (Henderson, 2006), yet characteristics generally cited include unexpectedness, urgency and danger (Hermann, 1972). Tourism crises usually share these attributes although certain crisis situations can be predicted and lack immediacy.

Crises generated within the industry can also be analysed under the headings of economic, sociocultural and environmental when tourism has negative impacts in these fields (Henderson, 2006).

The external and internal threats of the economic crisis to the tourism industry are recession, currency fluctuations, taxation; rising cost, falling revenues, unprofitability (Sian et al., 2009)

2. Crisis management in hospitality sector

According to Paraskevas (2013) crisis is a perception of an unpredictable event that can seriously affect and threaten organization's performance. When analyzing crisis, Paraskevas et al (2013) mentioned Mitroff's model as the most significant from crisis management studies and scholars. Mitroff's model (1988) of the crisis management has five phases or mechanism; signal detection; prevention; damage limitation; recovery and as a last one, learning. In addition, organization needs to understand and be able to recognize early signs of crisis in order to take applicable action. Thus, accomplishment and successiveness in terms of recognizing the early warning crisis signals are depending of hospitality organization size, financial capability and mostly important, organization culture.

Hotel industry is highly incorporated with other industries, meaning that a wide range of potential crisis within hotels can affect and influence other businesses (Glaesser, 2013).

As with most industries, the hospitality and tourism sector is experiencing numerous challenges as a result of the global economic crisis. The industry is feeling the impact of a shrinking capital market and decreased spending by both corporate and individual consumers (Global Financial Crisis Bulletin, 2009). Businesses have reported a downturn in sales of lodging, foodservice, events and other hospitality products and some have closed their doors forever. The decline resulted not only from fewer customers in hotels, restaurants, conference and convention centres, etc., but also from a significant decline in the average expenditure per guest (Pizam, 2009). The recession caused serious problems for luxury hotels in particular. However, many hotels in certain global markets, especially those catering to leisure travellers, were less affected. Crisis management has its roots in strategic planning incorporating contingencies for unexpected events. The challenge for organizations is to recognise the early warning signals and take actions.

3. The Hungarian hotel industry between 2007-2013

During recent years, the number of nights spent in tourist accommodation establishments has generally shown an upward trend. However, there was a short-lived downturn in the number of nights spent in tourist accommodation establishments in 2008 and 2009 as a consequence of the financial and economic crisis: the number of tourism nights in the EU-28 fell by 0.6 % in 2008 and by a further 2.1 % in 2009. In 2010, however, the number of nights spent increased by 4.7 % and this positive development continued, with growth of 3.3 % in 2011 and 4.3 % in 2012. In 2013, the number of nights spent in tourist accommodation establishments in the EU-28 reached a peak of 2.6 billion nights, up by 2.2 % compared with 2012. (eurostat.com)

The statistical data of the Hungarian hotel industry shows that hotel capacity especially in four and five star category is expanding from year to year parallel to which the number of guest nights is also increasing in 2007. Hotel capacity went up compared to the year 2000 by 17%, meanwhile, demand was up by 21%. This tendency was experienced in the five and three star category, at the same time; the 87% increase of four star hotel rooms was coupled with only 78% increase in the number of guest nights.

Two thousand and three hundred hotel rooms were completed in 2007, of which 500 was opened in spa- and wellness hotels. As to demand the trend of the recent years continued: demand from abroad stagnated in 2007, while domestic turnover was up by 4.5%. This resulted in 2% total increase of guest nights.

In 2009, the deepest global economic recession for decades with its own political and economic problems hit the sector hard in Hungary. During a period of significantly reduced demand for corporate and conference business and collapsing average rates across the whole city, more than 3,200 new hotel rooms were opened in Budapest in 2009. This led to fierce competition, lower occupancy and a price cutting war. Only the weaker Hungarian forint in 2009 helped to offset some of the worst effects of the crisis.

The hotel industry is in a difficult situation since owing to the hotel industry investments carried out in the past decade the hotel capacity in the Central-East European region increased significantly to which demand is expected to adjust only after long years of time. Hotels are up against a fierce competition for retaining the narrowing demand where beside rates, increasing efficiency, cutting and streamlining costs play a major role.

In 2011, the public accommodation establishments registered a slight decline due to lower domestic demand. The number of guests was higher by 1.5% while the number of guest-nights was 0.6% lower compared to 2010. The number of domestic guests decreased by 2.4% while the number of guest-nights lowered by 4.3% compared to last year. The number of foreign guests increased by 6%, while the number of guest-nights was up by only 3.2% compared to 2010. Accommodation establishments showed a 3% increase in revenue at current prices.

In 2013, at the public accommodation establishments the number of guest-nights increased by 4.6%. The number of domestic guests was higher by 5.5%, the number of guest-nights were 4.5% higher compared to the previous year. The number of foreign guests increased by 5.1%, while the number of guest nights was up by 4.6% compared to 2012. Accommodation establishments showed a 9.4% increase in revenue at current prices.

4. Case study

In 1972 Danubius Hotels and Spa Co. was established by the Ministry of Domestic Trade, which has reassigned Grand Hotel Margitsziget (Budapest), Hotel Helikon (Keszthely), and transferred the construction license to Danubius to build Budapest Hilton. In the following years there were numerous changes in their life.

In 1999, Danubius reorganized its structure. Danubius itself became a holding company and operated a Property Company (Hungaria Hotel and Property Rt.) and a Management Company (Danubius Hotel Management and Service Rt.). In the same year bought 100% interest Butterfly in Mariánské Lázně (Marienbad, Czech Republic).

According to the new strategy of the Group, different brands were set up in 2006, - Danubius Health Spa Resort for the health-spa hotels; Danubius Hotels for the high quality city hotels while other hotels are listed under the category of "Member of Danubius Hotels Group".

In 2008, Danubius had to face with the growing financial crisis and the negative effect of strong national currencies on Euro and other revenues. Then, the banking crisis reached its peak and the economic recession started to have a major impact on Central Europe. Unfortunately, the consequent reduction in demand was accompanied by a continued increase in hotel capacities as many development projects were started before the effects of the crisis were fully appreciated.

It is very important that the Group created years ago its overall financial risk management programme seeks to minimise potential adverse effects on the Group's financial assets and liabilities. The Board of Directors provides written principles for overall financial risk

management and written policies covering specific areas, such as market risk (including foreign exchange risk, interest rate risk), credit risk, liquidity risk, use of derivative financial instruments and investing excess cash. Such written policies are reviewed annually by the Board of Directors and periodic reviews are undertaken to ensure that the Group's policy guidelines are complied with.

In the financial year of 2009 total net sales revenues were HUF 43.5 billion, down by 6.6% compared to last year figure after eliminating one-off items. The movements in HUF/EUR FX rate had a considerable positive effect on Hungarian segment revenue in 2009 compared to 2008, but in EUR terms there was a 17% decrease.

The main steps were to reduce the negative impact of the crisis:

- 7.5% reduction in operating expenses,
- Working capital was tightly managed and interest costs reduced,
- Whilst capital expenditure had to be limited, the introduction of new operating software in Hungary continued. This state-of-the-art system was a major tool to improve competitiveness. It is the platform for new central reservation system, which, together with its website, is an already generated impressive communication system.

The cost reduction measures started in 2008 were continued on a more intensive basis in 2009. A fall in headcount of 13% was achieved in Hungary together with a major reduction in outsourcing and other costs.

In 2011, the management exercised tight control over liquidity. Thanks to these measurements revenues increased by 2%, more than HUF 1 billion compared to 2010, group occupancy increased by 0.7% compared to 2010, whilst occupancy increase was 1.1% despite an increasingly competitive market. The net cash provided by operating activities increased from HUF 4.3 billion in 2010 to HUF 4.6 billion in 2011, due largely to effective management of working capital.

In 2013, the positive trends, first experienced in 2012, proved to be continued through the year. Revenue of the Danubius Group in 2013 showed nearly an 8% increase to HUF 50 billion and EBITDA exceeded 2012 by 25% reaching a figure of HUF 8 billion, from the sale of one hotel. In Budapest, there were many MICE events.

In 2013, as part of the e-commerce marketing strategy, the Danubius website was redesigned, which has had a positive effect on web bookings. In line with many other hotel companies, the impact of mobile devices on guest behaviour is continued.

Similarly, social media continues to become ever more important and websites such as Tripadvisor are having a greater influence on guests and their choice of hotels.

In 2012-2013, they introduced several new marketing initiatives. One example is a strategy to promote family holidays with children. Another innovation was the introduction of an "All-inclusive" concept at Danubius Health Spa Resort Bük.

With the increase in activity in 2013, particularly around the busy summer season, they use a variety of flexible labour arrangements to ensure that the fixed cost base did not increase. In parallel, permanent staff had the opportunity to benefit from a variety of incentive schemes, bonus arrangements and upselling rewards.

The Danubius Goes Green project means, that they developed 10 environmentally friendly green rooms at the Danubius Hotel Flamenco, in co-operation with the World Wildlife Fund.

5. Results and conclusion

Over more than five years, the restrictions, reorganisations, cost reduction and a multitude of efficiency-improving measures were the most important reactions of hotel management.

The global economic crisis has a powerful effect over the hotel industry. The hotel managers had to adapt business plans for letting the biggest possible efficiency.

In this environment, the Hotel Managers' duty of care should also involve planning and preparing for unforeseen events; running 'what if' scenarios, designing action plans for all departments, allocating individual responsibilities; building back-up capacity and training their staff to respond in appropriate manner to security concerns. Danubius Hotels Group made risk management plan, in which they defined signals and focused on right actions. They reduced operating expenses and interest costs; and they tightly managed working capital. At the difficult years they did not forget to develop their communication system. The reduction of revenues in 2008-2009 could mean unsolvable problem for hotels. Remaining liquidity and competitiveness could be the real challenge for hotels.

References

1. Henderson, C.J. (2006): *Managing Tourism Crises*. Butterworth-Heinemann, Elsevier, UK
2. Hermann, F.C. (1972): *International Crises: Insights from Behavioural Research* (ed.). New York: Free Press
3. Keown-McMullan, C. (1997): Crisis: when does a molehill become a mountain? *Disaster Prevention and Management*, Vol. 6, Iss: 1, pp.4-10
4. Parakevas, A., et al (2013): Crisis Knowledge in Tourism. *Annals of Tourism Research* 04/2013; 41:130–152
5. Pizam, A. (2009): The global financial crisis and its impact on the hospitality industry. *International Journal of Hospitality Management*, 28, 301
6. Sian et al. (2009): *Fundamentals of Hospitality and Tourism Management*, Open University of Malaysia. Retrieved October 28, 2011
7. Annual reports of Danubius Hotels Group (2007-2013)
8. *Global Financial Crisis Bulletin* (2009)
9. *Travel and Tourism Competitiveness Report 2007 – World Economic Forum*
10. http://www.academia.edu/1160659/The_Impact_of_Economic_Crisis_on_Tourism_and_Hospitality_Results_from_a_Study_in_Greece
11. <http://www.theprospectgroup.com/gergely-horvath-president-ceo-hungarian-national-tourist-office-8874> (interview with Gergely Horvath (President and CEO of the Hungarian National Tourist Office))

ROLE OF SMES IN LIBYAN TOURISM SECTOR

Ali ALAMMARI, Abdussalam Ashour KHALIF, Ghazala OTHMAN

*Szent István University, Doctoral School of Management and Business Studies, Gödöllő,
Hungary*

E-mail: alammariali@yahoo.com

Summary: The Small and Medium Size Enterprises (SMEs) are defined on the basis of the number of employees and the size of the investment. In the tourism sector, SMEs play a crucial role in expanding the nation's tourism industry. SMEs can provide a range of key services and products which are usually not offered by large-scale tourism companies. As such, SMEs are complementary to big businesses and essential in creating a "complete" tourism system. In some of Libya's neighbouring countries, also in many other countries, the tourism has a significant contribution to Gross Domestic Product (GDP) and reduces the high unemployment rate. It is important, therefore, for planners and decision-makers not to ignore this vital sector of the tourism industry. The paper first identifies the role to be played by the state and large investors (private capital) in developing the tourism industry in Libya, and then it examines some essential areas in which SMEs can be key players.

Keywords: Libya; GDP; Tourism; SMEs; Unemployment

1. Introduction

Tourism is one of most rapidly growing sectors in the world. International tourist arrivals (overnight visitors) grew by 5% in 2013, reaching a record 1.087 million. Total export earnings generated by international tourism in 2014 reached USD 1.5 trillion. Europe, participates with 41% of all international tourism receipts and the increase was 17 billion USD. The second was Asia and the Pacific with 30% share and with 16 billion USD increase, Americas had 22% share and 10 billion USD increase, the Middle East had 4% share and 4 billion increased and finally Africa comes with 3% share and 1 billion increase (Hani, 2013 and UNTWO-World Tourism barometer).

Mediterranean is the leading touristic destination in the world and has the highest growth-rate. More than 50% of total 46 000 km coastline is urbanized – in Libya; this proportion is very different because of its natural coastline. Tourism in Mediterranean countries as total has above 10% contribution to GDP. It is worth to mention that tourism sector's total contribution to GDP (with additional services, etc.) is quite three times higher than the direct contribution (European Union, 2012)

Since there is no statistical data collection in Libya, so there is no data about the internal and domestic tourism of Libya. Although the security situation is in the country in critical condition now, but looking back on happy times, when local people were eager to travel inside the country firstly for business reason and also with family for holiday, that suggests the inner tourism was intense in the past decades. Since Libyans have never suffered so strict bans as in the neighbouring countries, Libyans used to travel to Europe without serious restriction. Therefore, many Libyans became familiar with the Western standards in tourism, in restaurants, cafes etc., and now they miss these standards in their home country. International tourism was nicely developing before the revolution. Data are available until 2006 but anybody can confirm the more open became a country the more tourists arrived in.

The SME sector is the core of tourism success in any country in the world, that the provision of proper tourist image of the country acquired tourist details such as food, souvenirs, clothing, decorations and handcrafts, and this dose work institutions always by SMEs. In many countries like Libya, tourism has a good potential to contribute to GDP and economic growth. In case of Libya, it can offer a diversification for national economy that is now based on the hydrocarbon sector in 85%. Tourism can provide work opportunities for unemployed especially in that places where this type of options are limited.

2. SMEs in Europe and Libya

The need to define the SMEs in European Union (EU) emerged already in the 80s because some subsidies were restricted to this category. It means this definition has international relevance. In 1992, the Commission had proposed limiting the proliferation of definitions of SMEs in use at Community level because existence of different definitions at Community level and at national level could create inconsistencies. The updated definition of different types of SMEs are based on EU recommendation No. 2003/361/EC – in Article 2 is defined the categories by staff headcount and financial ceilings. (European Commission, 2003)

In Libya, the SMEs definition by the Ministry of Labour, Training and Employment (2004) under Article No. 321 in 2004 as follows: “Is a civil institutions productivity and service, and a tool for economic and social development to accommodate the younger powers, and are available where appropriate for the efficient operation of technical, administrative and technical specifications, and the number of workers microenterprise more than 25, and the lending value beyond any seed capital, which gives the institution of this size 2.5 million maximum, the medium is not the number of employees by more than the number 50 element, but not exceeding lending for seed capital value 5 million dinars maximum.”

3. Tourism Sector in MENA (Middle East and North Africa) countries

SMEs in tourism sector are dominating in many areas. Only few cases are dominated by larger enterprises like hotel chains or bigger hotels, tour operators, airlines, international Public Relations (PR) agencies, etc. The need for services of SMEs depends on the number of arrivals which had an upward until 2000s from the 1990s. Table 1 shows that there are setbacks the growth is not steady. These setbacks can be connected to sensitive events mostly related to security problem. In 1990, Tunisia accepted about 30% more visitors than Egypt but since 2000, the opposite happened. Libya was lagging behind its two neighbours but had a steady growth until 2011. The revolution of course interrupted this process and since then we are waiting for the better circumstances, for the improvement of security (Keller, n. d.).

Table 1: International tourist arrivals (in thousands)

Countries	1990	1995	2000	2005	2009	2010	2011	2012
Egypt	2.411	2.871	5.506	8.608	11.914	14.051	9.497	11.200
Libya	96	56	174	170	260	271	26	104
Tunisia	3.204	4.120	5.244	6.975	6.904	6.902	4.782	5.950

Source: UNWTO Barometer

It is interesting to observe how big the difference between Egypt and Tunisia in foreign tourists' expenditure is. Between 1990 and 2000, it was about the double sized but after became three-four or five times as much in Egypt than in Tunisia. It shows very clearly how much important is the image and the brand of the country.

In case of Libya, we can observe much more modest numbers and the setback caused by the revolution was more drastic – number of tourists in Libya dropped to one-tenth – than in the other two neighbouring countries, where the number of tourists fell only by two-thirds. But Libya has never really had emphasized the country as a tourist destination and the income generated by tourism was not important for the state in the past. When the need for a new economic policy appeared to have a diversification of the economic activity of the country in order to create a less vulnerable economy which is not only based on the revenues from the hydrocarbon sector, the idea of improving tourism has become more important. This idea has unanimously been welcome by the political and business elite after the revolution.

If we look at the tourism in some MENA countries at first glance, we can see the very high expenditure of international visitors (domestic tourism is limited). The gap between Egypt and Tunisia is growing and it is almost 4 times bigger in favour of Egypt (Table 2). In Libya, the total sum is trifling if we consider the very similar (theoretical) tourist potential in Libya.

Table 2: Expenditure by international visitors (\$ billion)

Countries	1990	1995	2000	2005	2009	2010	2011
Egypt	2.629	3.888	4.657	9.081	9.272	12.258	8.707
Libya	0.02	0.01	0.08	0.04	0.09	0.06	0.1
Tunisia	1.122	1.507	1.977	2.361	2.704	2.645	1.805

Source: UNWTO Barometer

The above mentioned expenditure provides a significant contribution of tourism to GDP in both countries, and of course it’s very low in Libya.

In Libyan tourism sector additional difficulties can be defined (Haitam, 2013):

- Tourism sector in Libya is very underdeveloped now except some four and five star hotels.
- Lack of resorts for leisure time, entertainment facilities, enough good restaurants, beaches for foreigners, tourist packages, available information materials, international marketing, English inscriptions, abandoned touristic sites, etc.
- Lack of comprehensive and integrated policy and planning concerning the development of tourism. The heavy bureaucracy and corruption is the heritage of the past and can be changed by consensus of the political players. Libya can follow the way of modernization of some traditional Arab countries/societies and it can use state-of-art solutions in ICT and with the help of ICT in many segments of tourism, especially in marketing. Quality control should be improved overall.

4. SWOT Analysis of SMEs in Libyan Tourism

Table 3 will summarize the mentioned touristic potentials and their barriers. Weighting the points, we are very much concerned that security will bring prosperity in the country. Security and democracy should work together in order to fulfil the general wish of Libyan people: to live in independent, socially satisfied, well organized and well managed, economically successful in the world well-respected, highly estimated country.

Table 3: SWOT analysis of Libyan touristic potentials

Strengths	Weakness
<ul style="list-style-type: none"> - Part of Mediterranean culture - Beautiful nature (1900 km cost-line, untouched deserts, unique desert and oasis cultures, natural attractions) - Many archaic, historic and cultural heritages of more than ten thousand years - Five cites on UNESCO World Heritage list - Government’s policy is for diversification of the economy – one priority can definitely be tourism sector - Close to Europe, close to the potential market - Very good road, sea-port and airport infrastructure in the whole country linking the cities and smaller settlements - English is widely spoken - Strong influence of Italian tradition in food 	<ul style="list-style-type: none"> - Most focus on oil - Not enough managerial knowledge - Lack of tourism infrastructure - Lack of quality accommodation - Bureaucratic barriers for FDI, - No detailed tourism strategy of state and no regulatory frameworks - Lack of managerial knowledge/skills - No well-trained human resource in tourism sector - Still bad international image of Libya - Few information about Libyan tourism opportunities - Public utilities are not working continuously and properly - Very few SMEs in the country and especially in tourism sector
Opportunities	Threats
<ul style="list-style-type: none"> - Conservation, maintenance and development of cultural, historical and natural attractions - Investments in tourism infrastructure, attracting FDI into the sector - SMEs can be supplier of/partners in bigger tourism projects - Diversification of tourism products - Libya mediates (Egypt and Tunisia) with applicants in the SMEs in the field of tourism - Increased marketing and creation of a brand that identifies Libya 	<ul style="list-style-type: none"> - Lack of enough security and deterioration of security situation - Big competition by neighbouring countries and by other Mediterranean countries which profits from tourism (Egypt, Tunisia, Turkey, Greece, etc.) - Political instability at this time - Not enough skilled labour in the industry

Source: by authors

5. Conclusions and recommendations

The potential for tourism in Libya is huge. The location of the country is excellent therefore it can attract many tourists. The image of the country must be changed; the traces of the past must be eliminated with effective marketing activity (Font and Ahjem, 1999), the re-established security could raise growing interest for Libya as a tourist destination.

Although the country has a well-educated workforce in low-level services mostly foreigners would work but this type of workforce is also available but these foreign workers definitely have to be trained properly in order to meet the Western standards.

We already mentioned the security as the most important issue. Supposing the peaceful status of the country two elements should particularly be considered: securing the borders of the country and balancing between local values and demands of tourists. (Haitam, 2013)

In tourism sector, Libya has large potential as we could already see it in the past, and the country has the financial ability as well to develop this sector (Akram, 2010 and UNTWO, 2000). Parts of the necessary infrastructure are ready or needs refurbishment and the rest should be developed. The question is how much role should play the state and state

institutions and how much should be managed by the private sector. Public opinion in Libya might be right now that the big and key projects should be managed and owned by the state and the private initiatives can join the big ones and can build up a partnership with them. The Libyan state owns different investment wealth funds and these funds are key players in the domestic business life. They are more business-oriented than traditional state institutions and their profit-orientation and professionalism can stimulate the smaller local players.

A comprehensive tourism strategy is surely needed which defines the task of the state, the required infrastructure developments, work force, policy or regulatory changes and of course the PR and marketing activities. Libya's potential in this field is as much as in the two neighbouring tourist destination countries or even higher. But the country should counterbalance the bad image of the past and also of the recent instability. Image of the country as tourist destination highly determines the decision of potential consumers and also makes segmentation among them. The new image of Libya should focus on the cultural heritage, the natural beauties, the chequered, picturesque and diverse local culture; and the archaeological monuments of the country.

References

1. Akram Esa Omar Khalifa (2010): Destination Libya: Developing Libya as an internationally competitive tourism destination. Thesis submitted to the Cardiff School of Management in partial fulfilment of the requirements for the degree of Doctor of Philosophy, Cardiff School of Management, University of Wales Institute, Cardiff, UK.
2. European Commission (2003): Commission Recommendation of 6 May 2003: Concerning the Definition of Micro, Small and Medium-Sized Enterprises (notified under document number C (2003) 1422) (Text with EEA relevance) - (2003/361/EC), Brussels.
3. European Union (2012): Sustainable tourism in the Mediterranean. *Aston Centre for Europe, Aston University*
4. Font, X., & Ahjem, T. (1999): "Searching for a balance in tourism development strategies", *International Journal of Contemporary Hospitality Management*, 11(2/3), 73-77.
5. Haitam Bizan (2013): A New Strategic Approach for Tourism Planning and Marketing in Libya. Proceedings of the International Conference on Tourism, Transport, and Logistics (ICTTL) 14 – 16 February 2013, Paris, France, (pp. 411-421), ISBN: 978-616-286-002-7.
6. Hani Abdullah Ali (2013): Libyan Tourism and Rescuing Strategy (Importance of Image). *Global Journal of Management and Business Research Accounting and Auditing*, 13(3), 30-34. <http://cor.europa.eu/en/documentation/studies/Documents/sustainable-tourism-mediterranean/sustainable-tourism-mediterranean.pdf>
7. Keller, Peter (n. d.) : The future of SMEs in tourism <http://www.unibg.it/dati/corsi/44014/47865-The%20future%20of%20small%20and%20medium%20enterprises.pdf>
8. Libyan Ministry of Labour, Training and Employment (2004): definition of SMEs under Article Number (321/2004).
9. UNWTO –World Tourism Barometer: <http://mkt.unwto.org/barometer> - <http://www2.unwto.org> - http://aei.pitt.edu/58341/1/MEDPRO_Report_No_1.pdf
10. UNWTO (2000): "Tourism 2020 Vision: Middle East", WTO Publications.

INTANGIBLE RESOURCES IN PROCESS OF SHAPING THE SOCIAL APPROACHES OF ENTERPRISES

Maria NOWICKA-SKOWRON, Helena KOŚCIELNIAK
Czestochowa University of Technology, Częstochowa, Poland
E-mail: helenak@zim.pcz.pl

Abstract

In the herein paper, the problematic issues have been undertaken with regard to the management of intangible resources in an enterprise. There has been an indication of the changes in an enterprise as the consequence of functioning in a turbulent environment. The environment forces the social approach of enterprises. The significance of organizational culture in the process of creating the social approach of enterprises has also been emphasized, while simultaneously acknowledging organizational culture as one of the intangible resources. In the further sections, models of the relations between enterprises and institutions have been presented, coupled with an illustration of the social approaches.

Keywords: intangible resources, culture of organization, social approach of enterprises.

KNOWLEDGE MANAGEMENT IN INNOVATIVE AND SOCIAL PROCESSES OF ENTERPRISES

Beata SKOWRON-GRABOWSKA

Czestochowa University of Technology, Częstochowa, Poland

E-mail: beatas@zim.pcz.pl

Abstract

The aim of the herein paper is to indicate the significance of the processes of knowledge management in the functioning and development of enterprises. The models of knowledge management have been illustrated while simultaneously emphasizing the impact of innovativeness on the level of competitiveness of enterprises. Moreover, the impact of corporate social responsibility on the level of competitiveness has been presented as one of the most important categories of the intangible values of enterprises.

Keywords: knowledge management, innovations, social value

THE CAPITAL MARKETS AND THE RULE OF LAW

Bogdan DIMA, Flavia Mirela BARNA, Miruna Lucia NACHESCU

West University of Timisoara, Faculty of Economics and Business Administration, Timisoara, Romania

E-mail: mnachescu@gmail.com

Abstract

The importance of capital markets in the economic life of the world has generated the question: „ which are the factors that influence its development?”. Being part of a larger research project, the present paper looks for the connections between the rule of law and the development of capital markets. We take into account the Rule of law variable reported by the Worldwide Governance Indicators for a set of 45 countries. The data took into account regards a a time span of ten years (between 2000 and 2010). We test the hypothesis that between the rule of law and capital market development, there is a positive and significant correlation which remains robust even if control variables such as market liquidity, inflation, domestic credit to private sector and savings are considered. Then we exclude the possible dependence of this relation upon the other factors of market quality, by dividing the sample into two smaller groups, the OECD countries and the non-OECD ones.

Keywords: Rule of law, governance determinants, market development

Acknowledgments

This work was supported from the European Social Fund through Sectorial Operational Programme Human Resources Development 2007 – 2013, project number POSDRU/159/1.5/S/142115 , project title “Performance and Excellence in Postdoctoral Research in Romanian Economics Science Domain” and project number POSDRU/159/1.5/S/134197 , project title “Performance and Excellence in Doctoral and Postdoctoral Research in Romanian Economics Science Domain”

KNOWLEDGE MANAGEMENT AND STRATEGIC ALLIANCES IN SMEs

Parand SHARIFNIAE¹, Azhdar KARAMI^{1, 2}

¹ University of Tabriz, Tabriz, Iran

² Bangor University, Bangor, United Kingdom

E-mail: a.karami@bangor.ac.uk

Abstract

The purpose of this paper is to investigate the role of knowledge sharing via strategic alliances on firm performance in knowledge-based SMEs. Knowledge based activities are crucial for achieving competitive advantages. Knowledge sharing is also considered as an important factor to enhance firm performance. The firms should focus on developing and creation of knowledge-based competencies in order to improve their performance. Knowledge-based competencies can be developed through sharing dynamic capabilities within the firm as well as its value networks. This paper is a direct response to this gap in literature to investigate the role of knowledge sharing in SMEs via strategic alliances. The data collected from 280 SMEs operating in pharmaceutical sector in Iran. The data collection instrument is questionnaire and the research design is survey. This study benefits from a quantitative research methodology. The conceptual framework of the research has been developed using Structural Equation Modelling method and the data has been analysed by Amos software. The empirical findings of this research indicate that the successful firms are more involved in strategic alliances, which in turn results in sharing knowledge and strategic capabilities. Overall, SMEs' involvement in strategic alliances resulted in high firm performance. The results of this study also indicates that some SMEs are not cooperating with other firms due to technology leaking issues. The results of this study reveals that there is a significant relationship between SMEs involvement in strategic alliances and sharing transferable knowledge and capabilities. Meanwhile it has been found that sharing knowledge results in enhanced firm performance.

Keywords: Knowledge management, Alliance, SMEs, Capability, Strategy

HUMAN CAPITAL EFFICIENCY IN THE PAYMENT TRANSFER SYSTEM OF THE SMEs

János HÁRSKUTI

King Sigismund College Budapest, Hungary

E-mail: harskuti.janos@zskf.hu

Abstract

The paper deals with the effects of the intraday credit transfer system on the Hungarian SME-s. After the introduction of this payment system in 2012, this is the first research focusing on the small and medium sized enterprises' perspectives. In parallel to the general trends, it analyses the impacts of that change on the liquidity management of the SME-s and on the daily activity and responsibility of the human capital, controlling the outgoing transactions. The preliminary results of a recent survey of the SME's experience are included together with aggregated macro-economic financial data and thorough analysis of the data from the payment system as a whole. The main findings are showing to what extent efficiency increases were achieved in both liquidity management and human capital, and how successfully these companies could benefit from this intraday payment system. Besides pure efficiency measures, possible cost savings are also targeted, because due to better timing of the outgoing transactions and to lower sight balances on the bank accounts of the SME's, liquidity management contributed to cost savings too. Finally it is concentrating on how the responsibility of the employees and consequently the rewards for their better performance developed, how effectively they could work with the new system and what was their compensation.

Keywords: SME, intraday payment system, human capital efficiency

INTERGENERATIONAL KNOWLEDGE DIFFUSION IN THE CONTEXT OF MANAGING DIVERSITY IN THE ORGANIZATION

Agnieszka KWIATEK, Łukasz KWIATEK

Częstochowa University of Technology

Department of Management

E-mail: akwiatek@zim.pcz.czyst.pl, lukwiatek@gmail.com

Abstract

In many social processes, e.g. the communication process, to be effective, beside the communicate, there must currently exist: the sender and the recipient with its willingness to participate. Similarly, in case of knowledge, all its accumulated wealth will not bring benefits to both individuals and the organization if it is not subject to social processes, e.g. the exchange and sharing of sharing between units. It is necessary to transfer and absorb the knowledge, that is, transfer from the source to the acceptance that accepts and properly uses it. Especially important is the type and the "wealth" of knowledge sources. Diversity brings greater possibilities to use for this "prosperity". The concept of diversity refers to the characteristics that constitute the identity of individuals.

More specifically, the diversity is all the aspects, in which people are different/similar with both visible (gender, age, disabled/not disabled, race, etc.) and invisible features (knowledge, education, experience, beliefs, attitudes, personality, etc.). Diversity management is all the activities of organizations that seek to take into account and optimally use the diversity in the place of work.

In this paper we have discussed the problems of intergenerational diffusion of knowledge, that is, penetration, sharing, mutual use of different kinds of knowledge between different categories of age, on planes of process management. The main objective is the identification and evaluation of the intergenerational diffusion of knowledge in the context of diversity management. Also there are highlighted benefits and barriers encountered on the example of selected organizations.

Keywords: intergenerational diffusion of knowledge, diversity, diversity management.

List of Authors

ABRUDAN, Ioana-Nicoleta	102
ABU BAKAR, Mohamad Zaini	67
AGU, Kenneth Obinna	358
AHMADI, Farid	344
ALAMMARI, Ali	314, 554
AL-ZAIDI, Waleed Ali Hussein	365
AMBRUS, Rita Anna	152
ANTALIK, Imrich	214
ASHABI, Ali	344
BAK, Árpád	439
BAKOSNÉ BÖRÖCZ, Mária	501
BARNA, Flavia Mirela	561
BAZAN-BULANDA, Anna	493
BELE, Ioan	406
BEQIRAJ, Metë	354
BERČÍK, Jakub	18
BEŠIĆ, Cariša	473
BITTSÁNSZKY, András	488, 497
BOGETIĆ, Srđan	473
BÓNA, Péter	96
BOŞCAI, Beniamin G.	255
BÓGEL, György	8
BSOUL, Magdalena	226, 319
BUDAVÁRI-TAKÁCS, Ildikó	272
BYLOK, Felicjan	372
CEKIERA, Rafał	235
CHLÁDKOVÁ, Helena	455
CHRAPEK, Ewelina	188
CICHOBLAZIŃSKI, Leszek	334
CICHOŃ, Seweryn	297
ĆOĆKALO, Dragan	473
COJOCARU, Laura Adriana	140
COLȚA, Adela Suzana	57
CONSTANTIN, Laura-Gabriela	450
CZARNECKA, Aleksandra	293
DABIJA, Alina Eliza	203
DABIJA, Dan-Cristian	102
DARÓCZI, Miklós	439
DE PELSMAEKER, Sara	506
DIMA, Bogdan	561
DOMIL, Aura Emanuela	140
ĐORĐEVIĆ, Dejan	473

DUNAY, Anna.....	22, 35, 497
DÚS, Miklós.....	214
FEHÉR, János	324
FEKETE-FARKAS, Mária	358, 533
FODOR, István.....	461
FONGER, Jürgen	248
FORMÁNKOVÁ, Sylvie.....	455
FÜLÖP, Lajos	488, 497
GÁBRIEL, Monika	432
GÁBRIELNÉ TŐZSÉR, Györgyi.....	214
GAJDA, Joanna.....	384
GÁLOVÁ, Jana	18
GAVRILĂ-PAVEN, Ionela	406
GELLYNCK, Xavier	506
GLIGOR-CIMPOIERU, Diana Corina	378
GOLIŃSKI, Marek.....	73
GYENGE, Balázs.....	537
HAMAT, Zahri.....	147
HANUSOVÁ, Nad'a	455
HARCIAREK, Mirosław	306
HÁRSKUTI, János.....	563
HEGERTY, Scott William.....	114
HEGYI, Adrienn	506
HERCZEG, Boglárka.....	501
HOLECKI, Tomasz.....	520
HOOI, Lai Wan	330
HORÁNYI, Beatrix.....	157
HORBULÁK, Zsolt	214
HORSKÁ, Elena	18, 390
HORVÁTH, Ádám.....	537
HORVÁTH, Zoltán.....	108
HURTA, Hilda	35
HUSSEIN, Satam S.....	130
HUSSEIN, Wisam N.....	130
ILLÉS, Bálint Csaba	35, 78, 126, 488
ISSA, Saad S.	130
JANIK, Robert	192
JĘDRZEJCZYK, Waldemar	40, 339
JELONEK, Dorota	13
JÓZSA, Viktória.....	413
JUHÁSZ, Tímea.....	214
KARAMI, Azhdar.....	562
KARCZEWSKA, Anna	226, 319
KARMOWSKA, Grażyna.....	50

KASZA, Gyula.....	481
KENESEY, Zsófia	152
KERTÉSZ, Zsófia	506
KHALIF, Abdussalam Ashour.....	314, 554
KOLLÁR, Csaba.....	214
KOLTAI, Tamás	168
KOŚCIELNIAK, Helena.....	559
KOVÁCS, Ildikó Éva.....	214
KOVÁCS, Imre.....	439
KÖNYVES, Erika	22
KRASNODEBSKI, Andrzej	390
KUCEBA, Robert.....	40, 339
KUKOWSKA, Katarzyna	267
KUTI, Tünde	506
KWIATEK, Agnieszka	564
KWIATEK, Łukasz.....	564
LAKNER, Zoltán	481
LAR, Katarzyna	520
ŁAZORKO, Katarzyna	528
LEHOTA, József.....	22, 506
LEMAŃSKA-MAJDZIK, Anna	91
LENCSEÉS, Enikő	444
LENGYEL, Attila	543
LUKÁCS, Fruzsina Éva.....	272
MADARÁSZ, Imre.....	214
MARCINIAK, Mirosława.....	50
MARGIANTI, E. S.	18
MARKÓ, Olga	135, 157
MOLNÁR, Márk	178
MORVAY KARAKAS, Klára.....	549
MUATAZ, Fawzi Mohmed.....	214
NAÁR-TÓTH, Zsuzsanna.....	178
NACHESCU, Miruna Lucia	561
NAGY, Zoltán T.	35
NAGYNÉ SASVÁRI, Márta	152
NOWICKA-SKOWRON, Maria	559
OKRĘGLICKA, Małgorzata.....	91
OLTEANU (ADAM), Mădălina Camelia.....	203
OTHMAN, Ghazala	354, 554
ÓZSVÁRI, László.....	461, 481
PANDURICS, Anett	78, 135
PATAKI, László.....	152
PAULI, Urban	29
POÓR, József.....	214

POPESCU, Marin.....	349
POSTELNICU, Cătălin.....	102
PRUSAK, Rafał.....	288
PRZEWOŻNA-KRZEMIŃSKA, Agata.....	302
PURGAŁ-POPIELA, Joanna.....	45
PYTEL-KOPCZYŃSKA, Marzena.....	310
RÁCZ, Georgina.....	537
RANDAK-JEZIERSKA, Małgorzata.....	231
REICH, Matthias.....	248
ROBAK, Elżbieta.....	183, 278
RZEMIENIAK, Magdalena.....	513
SAŁEK, Robert.....	425
SALIH, Dilgash Q. Mohamed.....	365
SEBŐK, András.....	506
SHABAN, Farsat Ali.....	365
SHARIFNIAE, Parand.....	562
SIERPIŃSKA, Małgorzata.....	242
SIVAPRAKASAM, Sathya Narayanan.....	173
SKIBA, Łukasz.....	400
SKOLIK, Sebastian.....	267, 278
SKOWRON-GRABOWSKA, Beata.....	560
SŁOCIŃSKA, Anna.....	183, 209
STĂNCULESCU, Oana Maria.....	85
STOGIANNIDOU, Marianthi.....	283
SUHAJDA, Csilla Judit.....	272
SWADŹBA, Urszula.....	235
SYRKIEWICZ-ŚWITAŁA, Magdalena.....	520
SZABÓ, Ingrid.....	214
SZAFRAŃSKI, Maciej.....	73
SZERB, László.....	2
SZUDA, Csaba.....	126
TARI, Katalin.....	524
TATAR, Emese.....	549
TEREK, Edit.....	473
TIMIS (IUHASZ), Giovana Lavinia.....	349
TÓTH, András J.....	488, 497
TÖRÖK, Gergely.....	419
TRACZ-KRUPA, Katarzyna.....	198
TRUMBULL, William N.....	2
TÚRÓCZI, Zoltán.....	497
UBREŽIOVÁ, Iveta.....	390
UTZERI, Mounia.....	260
UZONYI-KECSKÉS, Judit.....	168
VAF AEI, Seyyed Amir.....	533

VAJNA, István	119
VAJNA-TANGL, Anita	119
VELRAJAN, Manikandan	173
VETTER, Szilvia	467
VINOGRADOV, Szergej	214
WIŚNIEWSKA-SALEK, Anna	425
WRONA, Tadeusz	220
XANTHAKIS, George	283
ZADROS, Katarzyna	395
ZAJĄC, Marta	162
ZAJKOWSKA, Monika	62